



# ANNUAL REPORT **2020**

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## FORWARD LOOKING STATEMENTS

*This Annual Report contains certain forward-looking statements. Forward-looking statements include those containing words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions. Any forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of Resgen. To the maximum extent permitted by law, the directors of Resgen, Resgen and any of its related bodies corporate and affiliates, and their officers, partners, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information in this announcement to reflect any change in expectations or assumptions, do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfillment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).*

## **ABOUT THIS REPORT**

This Annual Report (Report) provides an overview of the business intent, governance structures and performance of Resource Generation Limited (Resgen, the Company or the Group) and its controlled entities including Ledjadja Coal (Pty) Ltd (Ledjadja) for the financial year ended 30 June 2020.

Resgen's primary listing is on the Australian Securities Exchange (ASX:RES). It has a secondary listing on the Johannesburg Stock Exchange (JSE:RSG) in South Africa where its Management Team and assets are based.

The contents of this Report have been prepared based on the requirements of the listing requirements of the ASX and JSE, the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2012 Edition) and the reporting standards of the Public Investment Corporation SOC (PIC), a significant Shareholder.

This Report should be read in conjunction with the 2020 Corporate Governance Statement which has been prepared in accordance with the ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) and which can be located on the Company's website at [www.resgen.com.au/investors-and-media/governance](http://www.resgen.com.au/investors-and-media/governance).

## **STATEMENT OF RESPONSIBILITY BY DIRECTORS**

The Board, assisted by the Audit Committee, is ultimately responsible for overseeing and ensuring the integrity and completeness of this Annual Report. The Board has applied its collective mind in reviewing the preparation and the presentation of this Report. Each of the Directors considers that the Report, as a whole, is fair, balanced and understandable, and provides the necessary information for Shareholders to assess the Group's strategy, governance and operating performance.

The Report was approved by the Board and signed on its behalf by:



Lulamile Xate

Chairman

22 December 2020

# **CORPORATE PROFILE**

## **ABOUT RESGEN**

The Resgen Group (Group) is the owner of the rights to a large and defined Coal Resource in South Africa's Waterberg coalfield. Through its fully empowered operating subsidiary, Ledjadja Coal (Pty) Ltd (Ledjadja), Resgen is working on securing funding to develop and construct the Boikarabelo Coal Mine (Mine).

Boikarabelo plans to be a pioneer in opening the Waterberg coalfield, the next viable Coal Reserve in South Africa, and will make a significant contribution to the local economy and the country. The Mine will also create a large number of permanent jobs.

A key objective of South Africa's National Development Plan is unlocking of the enormous potential of the country's Northern Minerals Belt, using the Waterberg Coalfield as a catalyst. In this, Resgen expects to play a pivotal and pioneering role.

## **BOIKARABELO**

Boikarabelo is situated in the Limpopo province's Waterberg Coalfield. The Waterberg is host to approximately 40% of South Africa's known Coal Resources. The Boikarabelo Coal Resource stands at 995Mt. Annual production is planned at 6Mt of high-quality product coal, which will supply local and global customers.

Boikarabelo will be connected to an existing rail system that will allow access to domestic markets and the coal terminals of Richards Bay for export shipments. This is planned through construction of a 44km rail loop and link which will join the main Transnet national rail network.

## **PROJECT DEVELOPMENT AND FUNDING STATUS**

Terms have been agreed in previous years with an established and reputable engineering, procurement and construction (EPC) contractor to build the coal handling and preparation plant (CHPP). The CHPP contractor has the right to operate the CHPP for a period of four years once construction has been completed. This execution strategy assists in transferring risk associated with defects and delay from the Group to the EPC contractors.

The mining plan aims to maximise recovery of the coal deposit by mining all seams and minimising waste with focus on increasing productivity and reducing operating costs.

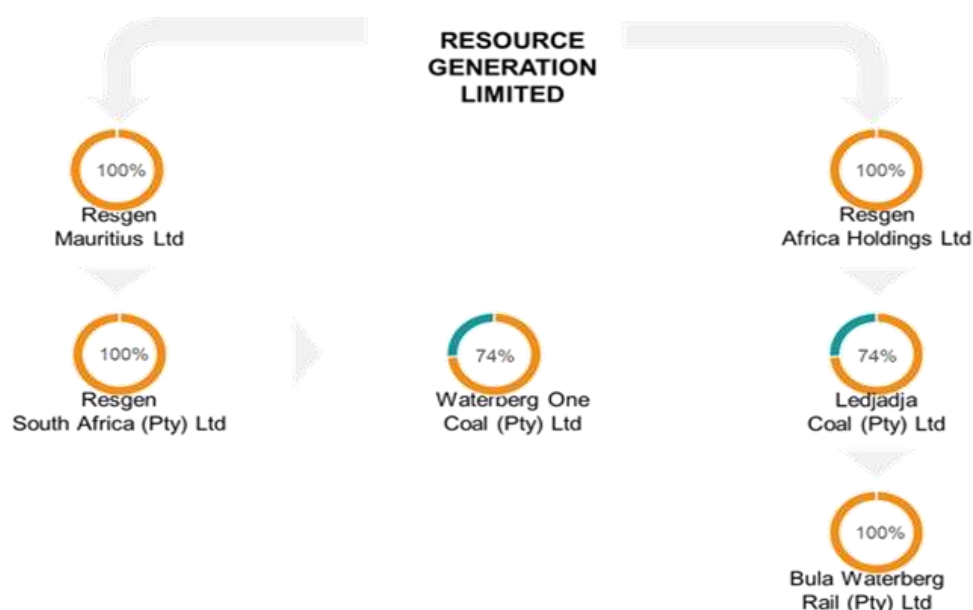
In early December 2019, the Group entered into principal binding agreements with a group of three funders (Lending Syndicate) for the funding of the construction of the Mine. The amount of the funding package offered by the Lending Syndicate was ZAR 4.2 billion (approx. A\$344.3m applying a mid-September 2020 ZAR:AUD exchange rate of 12.2:1). The members of the Lending Syndicate were the Government Employees Pension Fund and the Unemployment Insurance Fund, (both managed by the Public Investment Corporation SOC Limited (PIC)), the Industrial Development Corporation of South Africa Limited (IDC) and Noble Resources International Pte Ltd (Noble).

In May 2020, the Company announced that it had entered into equity and debt term sheets with Pan African Infrastructure Development Fund 2 SA and PAIDF2 LLC (PAIDF 2) or any one of them under the management of Harith General Partners Proprietary Limited (Harith) for the funding of the 44km rail link. The total funding required to construct the rail link is estimated as R700m (approx. A\$57.4m applying a mid-September 2020 ZAR:AUD exchange rate of 12.2:1).

Post 30 June 2020 the Company was advised by the IDC that, after completing a due diligence investigation (for the purpose of the extension of the Common Terms Agreement), a view had been formed by the IDC that the market conditions under which the Boikarabelo Coal Project would operate had deteriorated materially. Based on the findings, the IDC's Special Credit Committee resolved that IDC should not grant an extension of the Common Terms Agreement. Further, the IDC Special Credit Committee also decided to cancel all previously approved facilities under the Mine Funding Package.

The Company is now working with the Noble Group and Noble's financial advisor to investigate alternative funding strategies to enable development of the Boikarabelo Coal Mine. Noble Group has agreed to advance further working capital in the amount of US\$920,000 for the period through to 28 February 2021 under an austerity budget to allow for the conduct of this strategic review. Directors have agreed not to be paid for non-executive services over this period and Management have agreed to a 30% reduction in salaried remuneration.

## ORGANISATIONAL STRUCTURE



### Footnotes to the Organisational Chart

- 1 - The Group's 74% interest in Ledjadja Coal (Pty) Ltd is subject to dilution to 51% under the Mine Funding Package at Financial Close (ASX/JSE announcement 5 December 2019)
- 2 - The Group's 100% interest in Bula Waterberg Rail (Pty) Ltd is subject to dilution to 49% under the Rail Funding Package at Financial Close (ASX/JSE announcement of 5 May 2020 and 16 July 2020)

## CHAIRMAN AND INTERIM CEO REPORT

2020 was a year of mixed fortunes for our Company. We started the year enthusiastically determined to reach Project Financial Close and confident to commence with the finalization of the Boikarabelo Mine construction work program. We are exceptionally disappointed due to a myriad of reasons, to report that our objective to reach Financial Close in 2020 will not be achieved.

Towards the end of 2019, all three of our Lenders in our funding syndicate i.e. the Government Employee Pension Fund and Unemployment Insurance Fund (both managed by the Public Investment Corporation), Industrial Development Corporation and the Noble Group had received credit approvals for their participation in the ZAR4,2 Billion Boikarabelo Funding Package. All three Lenders further reinforced their commitment to our Project by signing binding debt and equity term sheets with our subsidiary Ledjadja Coal Pty Ltd.

In addition to the signing of the binding term sheets, we reached another milestone by signing a binding Transportation of Coal Agreement with Transnet to deliver 3,6 million tons of export quality coal per annum to Richards Bay on a take or pay basis.

Typical of the above agreements, conditions were imposed for us to fulfil before Financial Close (Conditions Precedent). Among the conditions imposed was Shareholder approval of the funding package. Shareholders unanimously approved the funding package at the April 2020 EGM.

The remaining Conditions Precedent became the focus of our efforts. Post this reporting period, a binding term sheet was signed with Harith General Partners to fund the Rail Link connecting the Boikarabelo Mine to the Transnet Mail Line. Our Team was making significant progress towards the fulfilment of the major Conditions Precedent however, because of changing requirements, we were compelled to request deferral of some of these conditions, especially conditions that could be fulfilled post Financial Close. We also requested the extension of the Common Terms Agreement signed with Lenders.

Lenders however informed us after our deferral request that they would not approach their respective credit committees unless the following conditions were met:

- Execution of a Binding Ramp Up Working Capital Facility Agreement;
- Execution of Binding Fully Funded Mining Services Contract; and
- Execution of a Domestic Back-to-Back Coal Offtake Agreement with the Noble Group to meet the Eskom procurement conditions.

Subsequent to our request for a deferral of certain Conditions Precedent and extension of the Common Terms Agreement deadline, the IDC undertook an update due diligence exercise. They advised us after this exercise that, due to the change in market conditions, they would not grant us an extension to reach Financial Close and furthermore that they had decided to cancel all previously granted facilities under the Boikarabelo Mine Funding Package. This unequivocally was a major blow to our quest to reach Financial Close in 2020.

The delay in reaching Financial Close necessitated that we seek short-term funding alternatives, including requesting Noble Group to extend their working capital facility to enable the Company to explore other opportunities to achieve Financial Close. In this regard the Noble Group subsequently agreed to assist by providing access to additional short-term working capital to allow us time to address our solvency challenge and to evaluate alternatives to progress the development of our Project.

At this juncture, post our reporting period, our focus is on the lifting of Resgen's trading suspension on the ASX and JSE, securing short term cash requirements and investigating alternative funding solutions to progress our Boikarabelo Mine Project.

We take this opportunity to thank our Shareholders for their patience whilst we navigate the current difficult investment terrain, Noble Group for its support, Manish Dahiya for his guidance and input whilst a Board Member, the Board of Resgen for their unwavering support and our Management team for their resilience and hard work.

We welcome Brian Harvey to our management team and thank him for his enormous contribution that became evident within a few weeks of joining our team.

We will continue to work diligently to progress development of our Project.

Lulamile Xate  
Chairman

Leapeetswe 'Papi' Molotsane  
Interim CEO and Executive Director

# BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

## BOARD OF DIRECTORS

### 1: Lulamile Xate (Age: 58)

#### *South African*

#### **Non-executive Chairman**

Completed articles at PricewaterhouseCoopers (PwC); extensive business experience, having developed several successful businesses in the fishing, gas and forestry industries; Founding Member and Director of Altius Investment Holdings (Pty) Ltd (Altius) a significant Shareholder in Resgen.

### 2: Rob Croll (Age: 68)

#### *British*

#### **Lead Independent Non-executive Director**

Mining engineer with over 40 years' experience; served in senior management positions in De Beers Consolidated Mines Limited and Anglo American Corporation of South Africa Ltd; played a major role in managing the due diligence process for acquisitions for AngloGold Ashanti Limited.

### 3: Colin Gilligan (Age: 54)

#### *Australian*

#### **Independent Non-executive Director**

Mining engineer with extensive experience in contract mining and project construction; 30 years' experience including as General Manager and Chief Operating Officer (COO) of coal mining companies; as COO of Coalspur Mines Ltd, a key participant in raising a US\$350 million debt facility. He is a non-executive director of GeoPacific Resources Limited (ASX:GPR).

### 4: Dr Konji Sebati (Age: 68)

#### *South African*

#### **Independent Non-executive Director**

Medical practitioner and Chief Executive Officer (CEO) of Innovative Pharmaceutical Association South Africa; practised in the public sector, specialising in rural child health; joined the private sector and served in senior positions in South Africa and the US with Roche and Pfizer; appointed South African Ambassador to Switzerland in 2004 and Ambassador to France in 2008.

### 5: Leapeetswe (Papi) Molotsane (Age: 61)

#### *South African*

#### **Managing Director and Chief Executive Officer (Interim)**

Distinguished business career, having served as board member and Chief Executive Officer (CEO) of Telkom; served as Group Executive of Transnet and CEO of Fedics.



**6: Gregory Hunter (Age: 56)*****South African*****Non-Executive Director**

Mining Engineer with 28 years' experience in the resources industry; worked in various senior positions in the mining industry across the African continent; extensive experience in the resource finance sector; currently employed in a senior position with Noble Group.

**7: Michael Gray (Age: 52)*****Australian*****Independent Non-executive Director**

Civil engineer with MBA; more than 25 years' experience in the planning, approval, financing and development of resource and infrastructure projects; in the last 16 years focused on greenfield coal project development; currently employed as CEO of Bluff Coal.

DIVERSITY		
Women - <b>14.2%</b>	HDSA - <b>42.9%</b>	Tenure: 3-5 years - <b>5</b> Tenure: < 3 years - <b>2</b>
SKILLS AND EXPERIENCE		
Coal & Energy Sector - <b>71%</b>	Project Development - <b>43%</b>	Risk Management - <b>43%</b>
Mining - <b>57%</b>	Financial - <b>71%</b>	Sales & Marketing - <b>43%</b>
Leadership & Governance - <b>85%</b>	Govt. & community relations - <b>71%</b>	Environmental - <b>57%</b>

**EXECUTIVE MANAGEMENT****1: Leapeetswe (Papi) Molotsane (Age: 61)*****South African*****Managing Director and Chief Executive Officer (Interim)**

Distinguished business career, having served as board member and Chief Executive Officer (CEO) of Telkom; served as Group Executive of Transnet and CEO of Fedics.

**2: Brian Harvey (Age: 46)*****South African*****Chief Financial Officer**

Mechanical engineer, BCom (Hons) and a qualified Chartered Accountant. 15 years' experience in senior finance roles for multinational, foreign listed and JSE listed resource companies, including Weir Minerals Africa and Middle East, Royal Bafokeng Holdings Pty Ltd and Anglo American plc.

**3: Zirk van der Bank (Age: 49)*****South African*****Chief Operating Officer**

Mining engineer with more than 20 years' experience in the coal sector; held a range of supervisory and management positions at Sasol Mining (Pty) Ltd, Moolmans Mining (now Aveng Moolmans (Pty) Ltd), Shanduka Coal and Glencore Coal SA

**4: Hennie van den Aardweg (Age: 61)*****South African*****General Manager**

Mining and electrical engineer with more than 30 years' experience, mostly in South African underground and open-cut coal mines; previously with Total South Africa (Pty) Ltd and Duiker; good understanding of South African coal geology, mining and beneficiation.

**5: Sechaba Selibe (Age: 46)*****South African*****Head of Marketing and Logistics**

Chemical engineer with MBA, with 22 years' experience in the mining and metals industry; worked as a metallurgist and marketing manager with BHP Billiton Limited and Vice President at Noble Resources responsible for origination and trading.

**6: Mike Meintjes (Age: 59)*****Australian*****Company Secretary**

Chartered accountant with over 30 years' experience in professional services with EY; since 2012, involved as Company Secretary and Financial Adviser with a number of ASX-listed junior resource companies.

## **DECISION MAKING PROCESSES AND OVERSIGHT**

Resgen is committed to maintaining robust standards of corporate governance. The Group's approach to corporate governance is guided by the principles of fairness, accountability, responsibility and transparency.

Governance underpins the Board's decision-making processes and oversight role. In this regard, the Board has sought to establish a culture that is driven by an ethical and values-based approach. Resgen's "licence to operate" and its approach to sustainability depend on being a responsible corporate citizen.

The Group has adopted relevant ASX Corporate Governance Principles and Recommendations and has given due consideration to any additional South African-based guidance requirements. Compliance with the ASX Corporate Governance Principles and Recommendations has set out in the 2020 Corporate Governance Statement released to the ASX and JSE and included on the website at [www.resgen/aboutus/governance](http://www.resgen/aboutus/governance) at the same time as the release of this Report.

A summary of the Company's Corporate Governance structures is set out below.

### **BOARD COMPOSITION AND CHARTER**

The Board currently comprises seven members. At year-end, a majority (four) of these were Independent Non-executive Directors, namely Dr Konji Sebati, Colin Gilligan, Rob Croll (Lead Independent Director) and Michael Gray.

Five of the seven Directors were elected to the Board on 26 November 2015 and have been in office for approximately 4.5 years at 30 June 2020. The remaining two Directors were appointed during the 2019 financial year to fill casual vacancies and were then re-elected at the 2019 AGM.

The Directors' Report in the Annual Financial Statement sets out attendance by Directors at meetings during the year and Board Sub-Committee composition and meeting attendance. A summary of the Board Skills Matrix is included in the 2020 Corporate Governance Statement.

The Group has established a Board Charter, which details the adopted practices and processes in relation to matters reserved for the Board's consideration and decision-making. A Board-approved delegation matrix specifies the level of authorisation provided to other key management personnel. A copy of the Charter has been uploaded on the website.

The Group has a written agreement with all Non-executive Directors, which sets out the terms and conditions associated with their office.

The roles of the Chairman of the Board and the Interim CEO are separate.

In accordance with the Group's Constitution, members appointed to fill a casual vacancy during the year, together with one-third of the Directors, shall retire from office at each AGM. The first to retire are the longest-serving members. Retiring Directors may be nominated for re-election by the Shareholders at the AGM.

## **BOARD SUB-COMMITTEES**

The Charters for each Board Sub-committee setting out roles and responsibilities can be found on the Company's website. Specific initiatives or work programs assigned to the Board Sub-committees include:

### **NOMINATION COMMITTEE**

The Nomination Committee commenced the process of recruiting a permanent CEO in 2019, however this has been put on hold pending completion of project funding. An external recruiter has been engaged and criteria set for identifying the most suitable candidate. The criteria were set with due consideration of the Group's transformation agenda.

A framework for a Board succession plan which considers the skills required post-project funding has been discussed by the Nomination Committee. The framework sets the objective of transitioning, over a period that maintains appropriate levels of continuity, the diversity of the Board based on targets of at least 25% female and 50% HDSA representation (currently 14% female and 43% HDSA).

### **AUDIT COMMITTEE**

On an annual basis the Committee reviews the 30 June Annual Financial Statements and accounting practices and obtains explanations and representations to be satisfied that the information contained in these statements as well as the application of accounting policies and practices is reasonable.

The Committee meets once a year (aligned with approval of the year-end financial statements) with the external auditor in the absence of Management.

### **RISK MANAGEMENT COMMITTEE**

The Group maintains a Strategic Risk Register which is monitored by Management. The key risk focus of Management and the Risk Management Committee related to COVID related restrictions and hygiene management and development of mitigation strategies by Management to ensure completion of the key Conditions Precedent associated with first drawdown of Project development funds.

### **REMUNERATION COMMITTEE**

If more than 25% of the votes cast on an AGM resolution to adopt the Remuneration Report are against the adoption for two consecutive annual general meetings, Shareholders are required to vote at the second of those meetings on a spill resolution that another meeting be held within 90 days, at which all the Company's Directors must stand for re-election. The Company did not incur more than a 25% vote against the Remuneration Report (first strike) at the 2019 AGM.

Details covering the remuneration policies and procedures for the financial year are set out in the 2020 Remuneration Report (see the Annual Financial Statements section).

### **SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE**

The Social, Ethics and Transformation Committee continues to receive and monitor quarterly reporting to the DMR concerning compliance with the new Mining Charter 2018 (previously reporting basis the Mining Charter 2010) including Social & Labour Plan commitments.

The Board is being kept informed of the implementation agenda for adoption of revisions arising from the Mining Charter 2018. In this regard the Company participates in the Junior Miners Working Group of the South African Chamber of Mines.

## **PROJECT OVERSIGHT AND FINANCE DOCUMENTS COMMITTEES**

The Finance Committee was active in reviewing and advising the Board in relation to the agreements executed on 5 December 2019 in relation to the Mine Funding Package.

The Project Oversight Committee held seven meetings during the year to receive updates on the progress on key contract negotiations and to consider the proposed terms of the logistics and rail link funding and construction contracts.

In the lead up to Financial Close the role of these Committees will be (i) oversight of completion of funding documentation to enable first drawdown of development funds; and (ii) oversight of finalisation of the key contracts ahead of the issue of the Notice to Proceed to the EPC contractor.

## **TRANSPARENCY AND ETHICS**

The Social, Ethics and Transformation Committee views itself as the “conscience of the Group” with the objective of working with the Board and the other sub-committees to ensure that Resgen remains a responsible and accountable corporate citizen that contributes to the economic development of South Africa.

The Group is committed to operating in accordance with applicable rules and regulations, and to the highest standards of ethical behaviour and honesty, with full regard for the safety and health of its employees and contractors, the local community and the environment. Employees must act with integrity and honesty in the day-to-day performance of their jobs and in any situation where their conduct and behaviour could influence the reputation of the Group.

The Group Code of Conduct with linkage to an Ethical Behaviour Policy was reviewed and approved by the Board during the past financial year. A copy can be located on the website.

Resgen has adopted an Anti-Bribery and Corruption Policy, which prohibits giving, offering, promising, authorising, accepting or requesting bribes or engaging in corrupt activities. The tone of “zero tolerance” which has been set by Management, together with an internal control framework, particularly in the areas of procurement and human resources, are the principal safeguards. Any breach of this Policy will be regarded as a serious matter and disciplinary action may result in termination of employment or contract.

To support the Group’s commitment to acting with integrity and honesty, Resgen plans to introduce an external whistleblowing initiative once operating activities ramp up with development of the mine. In the interim channels for raising concerns, covering issues such as ethics violations, theft, fraud, bribery, corruption, discrimination, harassment and substance are in place.

No matters requiring investigation were reported to the Interim CEO or the Company Secretary during the year.

The Directors, based on the monitoring and reporting mechanisms in place, are of the view that the systems to oversee and enforce ethical conduct during the financial year have been effective.

## RISK MANAGEMENT

Resgen is committed to effective risk management and has adopted a Risk Management Framework that will adapt as the Resgen Group moves through the funding and development phases into steady state production. It is based on an approach that recognises the importance for Management and the Board to grow the Group's capabilities apace with the growth of the Group, to anticipate risks and opportunities, and to respond appropriately and effectively through the adoption of mitigation strategies.

The Board is responsible for risk oversight and has created a Risk Management Committee to oversee the assessment of the framework and advise on the integrity of the risk management processes. The Charter for the Risk Management Committee can be found on the Company's website.

### RISK APPETITE AND TOLERANCE

Resgen's objective is to identify key business risks and then adopt prudent policies and practices to manage these exposures and/or opportunities. Given the current funding status of the Group's single project, the initial risk tolerance focus is and continues to be ensuring compliance with all regulatory approval conditions, to ensure zero harm to the community, its employee and contractor base and adopt measures within its control to achieve Financial Close for funding.

During the Financial Year, similar to businesses across the globe, the Company has had to manage the risk exposures associated with the outbreak of the COVID-19 virus. The Group, as well as the Lenders, Advisors and Service Providers had to implement 'working from home' procedures for all staff and interact through electronic medium. Whilst 'face to face' meetings are preferable when discussing and resolving project related issues, the Group believes that it has been able to make steady progress with limited impact that can be attributed to the delays experienced in securing Project funding.

The Group is monitoring the potential impact of the COVID-19 virus on the ability to move construction personnel between Provinces within South Africa on successful achievement of Financial Close for Project funding. Social distancing measures and COVID-19 related health & safety monitoring will need to be incorporated into site procedures for all contractors associated with the development phase. Post-construction, Resgen will be reviewing its risk tolerance in line with the operating environment on site.

### KEY STRATEGIC RISKS

Risk	Impact	Mitigation
<p>1. The credit approval process and achievement of Financial Close for funding the mine development and rail link is not achieved on a timely basis resulting in exhausting access to working capital</p> <p>Not achieving Financial Close due to the inability to complete the credit approval process for the funding of the mine development and rail link</p>	<p>Project put on care and maintenance due to inability to secure funding or, in an extreme case, financial failure of the Group. Delays to achieving financial close are likely to increase the development cost due to inflation and FX impacts and delay returns to Shareholders</p>	<ul style="list-style-type: none"><li>• Active approach to de-risking controllable project assumptions</li><li>• Implementation of a work program to actively address all Conditions Precedent for drawdown of funds</li><li>• Continued focus on Project Capital and overhead cost reduction</li></ul>

<b>2. Inability to access sufficient working capital to enable the Group to achieve Financial Close for the Mine Funding Package</b>	Inability to secure mine development funding or in an extreme case financial failure of the Group	<ul style="list-style-type: none"> <li>• Active focus on Conditions Precedent and continual engagement with the Mine Funding Lenders to minimise uncontrollable delays to Financial Close</li> <li>• Working capital reduction program</li> <li>• Maintenance of a sound relationship with Noble Group</li> <li>• Identification of alternative sources of working capital that can be provided on a commercial basis</li> </ul>
<b>3. Not ensuring that all major project development contracts have a well-defined scope of work and a balanced allocation of risk between parties</b>	Project development is disrupted due to project costs or schedule overruns that could be experienced, or major disputes with contractors that cannot be resolved	<ul style="list-style-type: none"> <li>• Documentation to clearly outline responsibilities of each of the parties, with linkage to contractor performance assessments/incentives</li> <li>• Project Oversight Committee (POC) established to review proposed terms, monitor status of negotiations, and provide advice to Management and the Board</li> </ul>
<b>4. Not retaining current experience within the team and recruiting skills where required to oversee execution of the Project within scope, schedule and budget</b>	<p>Loss of knowledge and ownership of planning decisions which are instrumental to overseeing project execution</p> <p>Inexperience in the Owner's management of the Project results in cost or schedule overruns</p>	<ul style="list-style-type: none"> <li>• Involvement of the execution team in contract negotiation process to ensure ownership</li> <li>• Supplementing team with appropriately skilled project resources</li> <li>• Development of appropriate incentive schemes</li> </ul>
<b>5. Not ensuring compliance with all regulatory approval conditions to ensure retention of the 'licence to operate' the mine</b>	<p>Suspension of operations or loss of mining right</p> <p>Loss of community support</p>	<ul style="list-style-type: none"> <li>• Monitoring and reporting process in place for all regulatory approval conditions</li> <li>• Actively engage all community structures to keep them informed of decisions and progress</li> </ul>
<b>6. Executing rail logistics and port allocation contracts which are not commercially aligned</b>	Inability to deliver against export contracts resulting in reputation damage and penalties, loss of foreign	<ul style="list-style-type: none"> <li>• POC oversight of commercial negotiations</li> <li>• Alignment of life of mine plan with rail and port</li> </ul>

to future coal sale commitments	revenue stream and inability to service project development debt	logistics and coal supply agreements
<b>7.</b> Changes to legislation that could be detrimental to the mining industry	<p>Loss of investor confidence in mining industry</p> <p>Inability to secure mine development funding or in an extreme case financial failure of the Group</p> <p>Sovereign risk factors adversely effects Shareholder value</p>	<ul style="list-style-type: none"> <li>• Monitoring potential legislative changes and aligning Project approvals accordingly</li> <li>• Senior management involvement with relevant industry organisations for example, Minerals Council of South Africa</li> <li>• Open dialogue with the Department of Mineral Resources &amp; Energy</li> </ul>
<b>8.</b> COVID -19 pandemic impacts delaying finalisation of Financial Close or significantly impacting the cost-effective development of the Mine	<p>Inability to secure mine development funding or in an extreme case financial failure of the Group</p> <p>COVID 19 travel and health &amp; safety requirements significantly increase the project development costs or schedule</p>	<ul style="list-style-type: none"> <li>• Implement mining industry approved procedures on site to reduce the risk of spreading COVID-19 during construction including DMR and Minerals Council directives</li> <li>• Identify potential resource and supply chain constraints that can impact on the project delivery</li> <li>• Plan for alternative resources and suppliers from different geographical areas</li> <li>• Specific induction along with medical training to be implemented with the involvement of the appointed medical practitioner</li> </ul>

The risks detailed above are set out in our Strategic Risk Register and the effectiveness of the mitigation strategies is reported to the Risk Management Committee and the Board.

### Summary

Management, the Risk Management Committee and the Board continue to identify emerging risk themes that may impact on the Group together with the identification and mitigation of significant risk exposures.



# **RESGEN'S ENVIRONMENT, PEOPLE, COMMUNITIES AND PROCUREMENT**

## **RESGEN'S ENVIRONMENT**

Resgen is committed to managing its interaction with the natural environment in compliance with an approved environmental management programme (EMP) and authorisations as well as best practice principles. The focus has been on the collection of baseline environmental data prior to the onset of the mine development.

A key area of monitoring has been the development of an extensive baseline database of water quality. This is vital to monitor the impact the operation will have on the underlying water quality in the future. Monitoring of dust fallout and the biomonitoring of the Limpopo River is also ongoing to provide baseline trends.

Continuation of compliance with all license requirements and site-based authorisations is fundamental to managing Resgen's operations. Annual Independent External Audits of all licenses are undertaken and in calendar year 2019 an overall compliance score above 95% was achieved.

Once development activities commence energy usage will be strictly documented and reported in order to enable us to monitor all Resgen's emissions and, in particular, greenhouse gas (GHG) emissions (Scope 1 and Scope 2).

The development of the carbon footprint will be the first step in relation to climate change monitoring and reporting. Once a base year has been established post construction then emission reduction targets can be set and tracked. The development of the carbon footprint is also vital in terms of National Legislative reporting for carbon tax calculation requirements.

## **PEOPLE**

### **Resgen's people, communities & procurement**

Training and employment practices implemented by Resgen and Ledjadja are guided by legislation, amongst others being the Mining Charter and an approved Revised Social and Labour Plan (SLP). The Group's performance against the Revised SLP targets is monitored and reported to the Department of Mineral Resources (DMR) on a quarterly and annual basis.

Resgen expects to create some 3,000 jobs during the mine construction phase and approximately 700 permanent jobs during steady state operations. The majority of these permanent opportunities will be available to local communities. Unfortunately, until Resgen has a fully funded Project all recruitment activities have been placed on hold. Nevertheless, once firm funding commitments are in place the objective will be to achieve a diverse, stable and productive workforce.

Resgen continues to meet its Human Resource Development targets in the SLP as detailed in the table below:

#### Human Resource development programme achievements for July 2019 – June 2020

Programme	Number of people	HDSAs	Female
		%	%
Adult education and training	52	100	69
School Support Programme	6	100	50
Learnership	13	100	23
Bursary	5	100	80
<b>Total</b>	<b>76</b>	<b>100</b>	<b>61</b>

#### COMMUNITY ENGAGEMENT

Regular meetings are held (this has however been difficult during the COVID related social distancing restrictions) with local communities, the Lephalale Local Municipality and the Lephalale Development Forum in order to share information about corporate developments, employment opportunities and provide feedback on social commitments. Community interventions focus primarily on education and local infrastructural development in line with the mine's SLP.

Stimulation of economic development is a critical aspect of the SLP. Where possible, Resgen sources supplies and services from local businesses and more than 250 small, medium and micro enterprises (SMMEs) are registered on Boikarabelo's electronic supplier database.

#### Mine community development

The SLP includes commitments of R347 million (approx. A\$34m) on local economic development (LED) projects in the local community, the breakdown is shown in the table below:

	Budget
Road construction: Marken via Bangalong, Mmaletswai, Ga-Mocheko to Mongalo	R8 million
Upgrading, diverting, resealing and preventative maintenance of D1675, D175 and D2286 provincial roads*	R89 million
Construction of effluent treatment plant and pipeline (MBET)	R250 million

\*Section 102 to be submitted to change the Road Diversion Project

#### SAFETY MANAGEMENT

Whilst the Project has been placed on care and maintenance there is limited activity on the site. However safety systems and procedures are being maintained.

ResGen has achieved a LTIFR indicator of zero for the past six years. Resgen emphasises “zero harm” and maintains the safety management system, which has been aligned with and complements the internationally recognised OSHAS 18001 management standard.

## HEALTH MANAGEMENT

In the lead up to construction, Management is striving to ensure a fit and healthy workforce. A third-party medical specialist and accredited occupational hygienist have been contracted to implement medical surveillance and monitoring services. The focus is on occupational illnesses and exposure, extending to monitoring for noise, airborne pollutants and thermal stress surveys. The results are reported to the Department of Mineral Resources on a quarterly basis.

In terms of primary healthcare, services are provided for full-time employees and contractors. The service extends to voluntary HIV/Aids testing and counselling as well as pulmonary tuberculosis (TB) testing and family planning advisory services.

## SUPPLY CHAIN MANAGEMENT

Engagement with suppliers is managed in terms of a comprehensive vendor application process in order to ensure that all potential and existing suppliers comply with Resgen’s requirements, including adherence to company and tax legislation, and the Mining Charter.

## LOCAL PROCUREMENT AND ENTERPRISE DEVELOPMENT

The participation by local businesses in Regen’s operations is viewed by Resgen as an important way of contributing to the economic development of Resgen’s community neighbours. Where possible, supplies and services are procured from local businesses. In support of preferential procurement, local suppliers are identified and included in a database, which is updated regularly.

Resgen’s policy on procurement practices have been updated to comply with the 2018 Mining Charter Scorecard III. The 2018 Mining Charter requires mining right holders to promote economic growth through the development or nurturing of small, medium and micro enterprises and suppliers of mining goods and services.

	Target		Qualifying spend		BEE spend			
	2020	2019	2020	2019	2020		2019	
	%	%	R'000		R'000	%	R'000	%
Capital goods	60	60	9.112	26.701	7.365	81	26.701	100
Services	80	80	34.802	21.170	28.045	81	16.682	79
Consumables	70	70	0.588	0.582	0.563	96	0.582	100

# ANNUAL FINANCIAL STATEMENTS



**30 June 2020**

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The financial report covers Resource Generation Limited, comprising the consolidated entity and its subsidiaries. The financial report is presented in Australian Dollars.

Resource Generation Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are as follows:

Registered Office: Level 1  
17 Station Road  
Indooroopilly  
QLD 4068  
Australia

Principal place of business: Ballywoods Office Park  
Ironwood House  
33 Ballyclare Drive  
Bryanston  
South Africa, 2191

The financial report was authorised for issue by the Directors on 16 December 2020.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at a minimum cost. All market releases, quarterly reports, financial reports and other information is available at our Investors and Media page on our website: [www.resgen.com.au](http://www.resgen.com.au)

## Resource Generation Limited

### Directors' report

30 June 2020

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Resource Generation Limited (the Company) and the entities it controlled at the end of, or during, the financial year ended 30 June 2020 (FY20).

#### 1. Directors

The following persons were Directors of the Company during FY20 and up to the date of this report, unless otherwise stated:

Name	Position	Committee positions held during the year	Period of service
Mr L Xate	Chairman and Non-executive Director	Nomination, Remuneration, Social, Ethics and Transformation	Full year
Mr R Croll	Independent Non-executive Director and Lead	Nomination and Risk Management	Full year
Mr M Dahiya*	Non-executive Director (alternate for G Hunter)	Nomination, Remuneration, and Project Oversight	Full year
Mr C Gilligan	Independent Non-executive Director	Audit, Nomination, Project Oversight, Risk Management, and Finance Documents	Full year
Mr L Molotsane	Interim Managing Director and CEO	Risk Management and Social, Ethics and Transformation	Full year
Dr K Sebati	Independent Non-executive Director	Audit, Nomination and Social, Ethics and Transformation	Full year
Mr G Hunter	Non-executive Director	Project Oversight and Finance Documents	Full year
Mr M Gray	Independent Non-executive Director	Remuneration, Audit	Full year

\* Manish Dahiya resigned effective 30 June 2020.

Mr M Meintjes has been Company Secretary since 26 November 2015.

#### (i) Information on Directors

<b>Lulamile Xate B.Compt; Post Grad. Diploma Energy Studies</b> Chairman <p>Lulamile has a wide range of business experience. Having completed articles at PricewaterhouseCoopers he has developed a number of successful businesses in the fishing, gas and forestry industries and is a director and chairman of a number of unlisted companies. Lulamile is a founding member and director of Altius Investment Holdings (Pty) Ltd (Altius). Altius is rated BBBEE level 1, being the highest rating under a statutory programme to integrate black South Africans into the economy. Lulamile has degrees and qualifications from UNISA and University of Murdoch, Perth in Australia, where he studied energy management and renewable energy systems at post graduate level.</p> <p>No other current or former listed directorships in the last three years</p> <p><i>Interests in shares and performance share rights</i>  Nil ordinary shares in Resource Generation Limited  Nil performance share rights</p> <p><i>Special responsibilities</i>  Member of the Remuneration Committee  Member of the Nomination Committee  Member of the Social, Ethics and Transformation Committee</p>	<b>Rob Croll BSc, Mining Engineering, MBA</b> Independent Non-executive Director and Lead Independent Director <p>Rob is a mining engineer with over 40 years' experience in the mining industry. After serving in senior management positions with De Beers Consolidated Mines Ltd and the Anglo American Corporation of SA Ltd, Rob played a major role in managing the due diligence process for acquisitions for AngloGold Ltd. Thereafter Rob worked as a principal consultant with The MSA Group and now acts as an independent consultant.</p> <p>No other current or former listed directorships in the last three years</p> <p><i>Interests in shares and performance share rights</i>  Nil ordinary shares in Resource Generation Limited  Nil performance share rights</p> <p><i>Special responsibilities</i>  Member of the Risk Management Committee  Chairman of the Nomination Committee</p>
<b>Manish Dahiya B.A. Economics; MBA, INSEAD, France</b> Non-executive Director (alternate to G Hunter) (resigned 30 June 2020) <p>Manish is the Global Head of Energy Coal and LNG at Noble Group. Noble manages a portfolio of global supply chains for a range of industrial and energy products across marketing, processing, finance and transport of key commodities, connecting low-cost producing regions with high-demand growth markets. Manish worked with BHP Billiton for five years in commercial roles based in Singapore prior to joining Noble in 2009.</p>	<b>Colin Gilligan BSc Eng (Hons)</b> Independent Non-executive Director <p>Colin is a mining engineer with extensive experience of contract mining and project construction. Colin has 30 years' experience as general manager and COO of coal mining companies and more recently as COO of Mitsui Coal. As COO of Coalspur Mines, Colin was a key participant in raising a US\$350 million debt facility.</p>

**Resource Generation Limited**  
**Directors' report**  
**30 June 2020**

<p>Former Commissioner of PT Atlas Resources Tbk (listed in Indonesia, resigned 20 June 2017). No other current or former listed directorships in the last three years</p> <p><i>Interests in shares and performance share rights</i>  Nil ordinary shares in Resource Generation Limited  Nil performance share rights</p> <p><i>Special responsibilities</i>  Member of the Remuneration Committee (appointed 26 July 2017)  Member of the Nomination Committee (appointed 27 February 2018)  Member of the Project Oversight Committee (appointed 27 February 2018)</p>	<p>Currently Independent Non-executive Director of Geopacific Resources Limited (ASX:GPR)</p> <p><i>Interests in shares and performance share rights</i>  Nil ordinary shares in Resource Generation Limited  Nil performance share rights</p> <p><i>Special responsibilities</i>  Chairman of the Risk Management Committee  Member of the Audit Committee (appointed 26 July 2017)  Member of the Nomination Committee (appointed 16 August 2017)  Member of the Finance Documents Committee (appointed 27 February 2018)  Chairman of the Project Oversight Committee (appointed 27 February 2018)</p>
<p><b>Leapeetswe (Papi) Molotsane B.Eng Tech and BSc (Univ of Toledo, USA), MSc (Hood College, USA) and SEP (Stanford Univ, USA)</b></p> <p>Interim Managing Director and CEO</p> <p>Papi has a distinguished business career, having served on the board and as Chief Executive Officer of Telkom, Chief Executive of Africa Commodities Group, Group Executive of Transnet and Chief Executive Officer of Fedics. Papi is currently a director of his family investment holding company.</p> <p>No other current or former listed directorships in the last three years</p> <p><i>Interests in shares and performance share rights</i>  Nil ordinary shares in Resource Generation Limited  Nil performance share rights</p> <p><i>Special responsibilities</i>  Member of the Audit Committee (from 26 July 2017 until 8 March 2018)  Chairman of the Social, Ethics and Transformation Committee  Member of the Risk Management Committee</p>	<p><b>Dr Konji Sebati BSc, MBChB.</b></p> <p>Independent Non-executive Director</p> <p>Konji is a medical practitioner and the CEO of IPASA, the Innovative Pharmaceutical Association of South Africa. After practising in the public health sector for several years where she specialized in Primary Health Care and Child Health, she joined the private sector and served in senior positions in South Africa and USA with Roche and Pfizer. Konji was appointed South African Ambassador to Switzerland in 2004 and Ambassador to France in 2008. In 2010 she joined WIPO, the World Intellectual Property Organisation in Geneva, Switzerland.</p> <p>No other current or former listed directorships in the last three years</p> <p><i>Interests in shares and performance share rights</i>  Nil ordinary shares in Resource Generation Limited  Nil performance share rights</p> <p><i>Special responsibilities</i>  Chairperson of the Audit Committee (since 26 July 2017)  Member of the Social, Ethics and Transformation Committee</p>
<p><b>Michael Gray B. Eng (Civil), MBA and AIDC</b></p> <p>Independent Non-executive Director</p> <p>Michael has more than 25 years' experience in the planning, approval, financing and development of resource and infrastructure projects and for the last 15 years has been focused on greenfield coal project development. He held executive roles at the Queensland Government's Office of the Coordinator General and Macarthur Coal Limited and was Chief Executive Officer of Middlemount Coal Pty Ltd, where he had responsibility for development of the \$600M Middlemount project from exploration project to operating mine. He has previously been a Director of Bandanna Energy Limited, Wiggins Island Coal Export Terminal Pty Ltd and the Queensland Resources Council.</p> <p>No other current or former listed directorships in the last three years</p> <p><i>Interests in shares and performance share rights</i>  Nil ordinary shares in Resource Generation Limited  Nil performance share rights</p> <p><i>Special responsibilities</i>  Member of the Remuneration Committee   Member of Audit Committee</p>	<p><b>Greg Hunter BSc Eng (Hons)</b></p> <p>Non-executive Director</p> <p>Greg is a mining engineer and has worked in the mining industry and in financial markets associated with mining finance, analysis and commodity sales for the last 29 years. He has worked for a number of companies including AngloGold, Deutsche Bank, Nedbank, Lonmin and is currently employed by the South African subsidiary of Noble Group Ltd.</p> <p>No other current or former listed directorships in the last three years</p> <p><i>Interests in shares and performance share rights</i>  Nil ordinary shares in Resource Generation Limited  Nil performance share rights</p> <p><i>Special responsibilities</i>  Member of the Project Oversight Committee (appointed 27 February 2018)  Member of the Finance Documents Committee (appointed 27 February 2018)</p>

**Mike Meintjes BCom (Hons), ACA, F Fin**

Company Secretary

Mike is a Chartered Accountant with 33 years professional services experience principally with a Big Four accounting firm and more recently in part-time contracting and consulting roles. Mike also holds the Company Secretarial role with Alligator Energy Limited (ASX: AGE) and was Company Secretary to TopTung Limited (ASX: TTW) for four years.

**Director entitled to a benefit under a contract with the Company**

Mr Xate is a director and shareholder of Altius Investment Holdings (Pty) Limited (Altius). In 2014 the Group entered into an agreement with Altius whereby a commission is payable for successfully co-ordinating a project debt facility for the main construction activities of the Boikarabelo Coal Mine Project. Mr Xate was not an officer of the Company when the agreement was entered into.

Mr Molotsane has entered into an agreement with the Group in 2013 whereby he assisted with arranging negotiations in respect to an economic rail freight tariff reduction. Any reduction in the final tariff will be subject to an annual success fee payable following the signing of a contract reflecting this reduced tariff. Mr Molotsane was not an officer of the Company when the agreement was entered into.

**(ii) Meetings of Directors**

The number of Directors' and Committee meetings held during FY20 and the number of meetings attended by each Director was:

		Board	Audit	Nominations*	Remuneration	Risk Management	Social, Ethics and Transformation*	Project Oversight	Finance Documents **
L Xate	Held	22			1				
	Attended	19			1				
R Croll	Held	22				1			
	Attended	20				1			
C Gilligan	Held	22	2			1		7	
	Attended	20	2			1		7	
L Molotsane	Held	22						7	
	Attended	22						7	
K Sebati	Held	22	2						
	Attended	15	1						
G Hunter	Held	22			1			7	
	Attended	22			1			7	
M Gray	Held	22	2		1				
	Attended	22	2		1				

\* SETCOM did not meet during the year, however, quarterly updates were received based on the Mining Charter & SLP Reports provided to the DRM.

\*\* These Committees did not meet due to delays in reaching signed Term Sheets which would have triggered the need required oversight of these governing bodies.

**2. Principal activities**

During FY20 the principal continuing activities of the Group consisted of the continuance of financing and development of the Boikarabelo Coal Mine in the Waterberg region of South Africa.

### **3. Operating and financial review**

#### **Corporate**

On 5 December 2019, the Company announced the execution of binding arrangements for the funding of the Boikarabelo Coal Mine (Mine Funding Package) which remains subject to a number of conditions requiring satisfaction, deferral or waiver by the Lenders (Conditions Precedent or CPs) before the transaction completes and becomes effective (Financial Close). These conditions include those customary for Lender's to manage risk exposures in transactions of this nature.

Since execution of the Mine Funding Package the Company has diligently focused on satisfying the Conditions Precedent and has made significant progress in satisfying most of the Conditions Precedent including the rail link funding as detailed below. However, a small number of Conditions Precedent remain outstanding including finalising a ramp-up working capital facility, working with the mining contractor to secure funding for the yellow goods, finalising logistics contracts and arranging a back-to-back domestic coal sale contract with Eskom.

The Funding Calendar was updated and advised to the market on 3 July 2020. The update was based on Management's best estimate of an achievable timeline for addressing the key tasks required to finalise the remaining Conditions Precedent. Based on the updated Funding Calendar and recent interactions with the Lenders the target for Financial Close is now envisaged to be July 2023.

A Deed of Amendment to the Common Terms Agreement for the Mine Funding Package extending the Sunset Date for achieving Financial Close from 30 September 2020 to 31 July 2023 has been confirmed in principle by all Lenders. The Lenders are currently considering a further extension given the recent delays to achieving Financial Close.

Final submissions for collation and subsequent consideration by the Lenders' Credit Committees are being updated to reflect the expected Financial Close date of 31 July 2023 and any request for waivers or deferral of certain CPs at that time remain subject to agreement by these governance bodies during July 2023.

#### *Rail Link Funding*

On 5 May 2020, the Company announced that its subsidiary, Ledjadja Coal Pty Ltd (Ledjadja Coal), has entered into non-binding equity and debt term sheets (collectively, the Term Sheets) with Pan African Infrastructure Development Fund 2 SA and PAIDF2 LLC under the management of Harith General Partners Proprietary Limited (Harith) for the funding of the Boikarabelo Coal Project Rail Link.

After 30 June 2020, the Company confirmed that Harith had obtained all requisite approvals for the Term Sheets executed with Ledjadja Coal Pty Ltd. The Term Sheets, whilst now binding on the Parties, remain subject to the fulfilment of various Conditions Precedent including conclusion of definitive transaction agreements, regulatory approvals including the registration of each servitude to effect the transaction and the Mine Funding Package (see ASX Announcement: 5 December 2019) being fully funded and unconditional.

Preparation of the definitive transaction agreements comprising the terms and conditions set out in the Terms Sheets are well progressed with a target for finalisation and execution in July 2023.

#### **Review of Operations**

The company has continued to maintain site facilities in preparation for mobilisation of EPC contractors once project funding has been secured.

The Company updated the previously released Coal Resources and Coal Reserves Statement (ASX Announcement 23 January 2017), in particular updating the Waterberg #1 Coal Resources to comply with the JORC Code 2012. There has been no material change to the previously reported Coal Resources and Coal Reserves as a result of this update.

#### **Financial Headlines**

- Loss before income tax increased by 260% to \$21.587 million (2019: \$6.043 million loss)
- The most significant items contributing to the FY20 loss before income tax were:
  - (i) Unrealised foreign exchange loss of \$14.149 million (2019: \$1.132 million loss) being an unrealised loss from translation of the amount outstanding under the Noble loan facility
- Net debt of \$104.525 million at 30 June 2020 (2019: \$85.741 million)
- Cash expenditure of \$2.638 million on operating activities (2019: \$5.833 million); this decrease has resulted from a corresponding reduction in trade and other payables
- Cash expenditure of \$4.162 million on mine infrastructure (2019: \$5.599 million)
- Agreed deferral of Noble loan repayments from 30 November 2020 to 28 February 2021 to conserve existing cash balances
- Shareholders' equity has seen a decrease of \$14,426 million (2019: \$4,690 million decrease) in the period due to the reported loss



Financial and non-financial performance	FY20	FY19	% change
Loss before income tax (\$million)	(21.6)	(6.0)	260%
Basis loss per share (cents)	(3.7)	(1.0)	270%
Total debt (\$million)	104.9	87.2	20%
Net debt (\$million)	104.6	85.7	22%
Net assets (\$million)	92.7	112.2	-17%
Gearing ratio <sup>1</sup>	112.8%	76.4%	48%
Number of employees <sup>2</sup>	29	29	0%
Gender diversity <sup>3</sup>	28%	28%	0%
Transformation <sup>4</sup>	69%	66%	5%

1. Net debt/Equity

2. Employees includes Directors

3. Gender diversity equates to number of female employees to total employees

4. Transformation equates to number of HDSA employees to total employees

The increase in both total and net debt is a result of the additional borrowings from the Noble working capital facility which have been required to fund operations whilst project funding is being secured. This also contributes to the increase in the gearing ratio.

The financial position and outlook of the Group is dependent on the successful conclusion of efforts focused to secure funding to support the construction of the Boikarabelo Coal Mine. The Boikarabelo Coal Mine in South Africa is the only segment of the Group. Further information on the operations and financial position of the Group is set out in this financial report.

#### Dividends

No dividends were paid or proposed to be paid to members during the financial year (2019: nil).

#### Results of operations

The loss for the year for the Group was \$21.587 million (2019: \$6.043 million loss).

#### Likely developments, business strategies and prospects

The Group is still in the process of securing funding for the construction of the Boikarabelo Coal Mine, as at reporting date Financial Close is being targeted for achievement by 31 July 2023. Management has instigated austerity measures (including reduction to salaries and Directors' fees) to preserve cash resources until such time as Financial Close is achieved. In addition, management is considering further arrangements for the additional Working Capital that is required to reach this revised target date.

#### Matters subsequent to the end of financial year

The Company advised that a Deed of Amendment to the Common Terms Agreement for the Mine Funding Package extending the Long Stop Date for achieving Financial Close from 30 November 2020 to 31 July 2023 had been agreed in principle and was in the process of being executed. The extension was required to allow for preparation of final submissions to the Lenders' Credit Committees expected to be scheduled during November 2020. These submissions were to include support for the Company's requested waiver or deferral of certain Conditions Precedent to achieving Financial Close.

On 4 September 2020, the Company advised that Ledjadja Coal, the Borrower under the terms of the Mine Funding Package, had made significant progress with respect to satisfying the majority of the Conditions Precedent to Financial Close and had formally requested that the Lenders either:

- \*defer a limited number of Conditions Precedent to a date post Financial Close due to the practical inability of satisfying the said Conditions Precedent before the end of September 2020; or
- \*consider proposed viable alternative solutions with respect to those specific Conditions Precedent, which could be satisfied before Financial Close.

The Lenders' Project Teams have responded to the formal requests detailed above and advised that they will not be approaching their Credit Committees until the following key Conditions Precedent have been met:

- \*Execution of a binding Ramp-up Working Capital Facility Agreement;
- \*Execution of a binding and fully funded Mining Services Contract; and
- \*Execution of a domestic back to back Offtake Agreement with Noble Group to meet the Eskom BEE procurement conditions.

Due to delays in satisfying certain Conditions Precedent to reaching Financial Close for first drawdown under the Mining Package, the Company was advised that the IDC had made a decision to not grant an extension of the Common Terms Agreement and therefore cancel all previously approved facilities under the Mine Funding Package. A trading halt was communicated to the ASX in order for the Company to develop a plan to secure additional working capital from Noble. Subsequently, Noble appointed a financial advisor (Macquarie) in order to assist with the development strategy and the Company announced on 14 December 2020 that it had executed the legal documentation to reflect the in-principle financial support with Noble in the form of a Ninth Deed of Amendment and Restatement to the Facility Agreement dated 3 March 2014 as amended from time to time. The additional financial support of US\$920,000 is to be made available in three (3) instalments to cover an austerity operational budget for the period through to 28 February 2021.

There are no other events that have occurred subsequent to the end of the financial year that have significantly affected or may significantly affect:

- (i) the Group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group's state of affairs in future financial years.

**Likely developments and expected results of operations**

Further information on likely developments in the operations of the Group and the expected results of operations are expanded upon elsewhere in this report. After finalisation of project funding (Financial Close), the focus of the next two years will be the construction of the Boikarabelo Coal Mine with production currently targeted for the 2025 financial year.

**Environmental regulation**

The Directors and Management are committed to continual improvement in the environmental management of the Group's operations and to develop effective community and stakeholder relationships. The Group is aware of the environmental regulations applying to its operations and seeks to comply with them in all respects. There have been no environmental incidents or breaches of applicable legislation throughout the year.

**4. Remuneration report**

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Group for FY20. The information provided in this Remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

The Remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

**Part 1: Remuneration policy background statement**

**(i) Remuneration governance**

The Board has established a Remuneration Committee consisting solely of Non-executive Directors (NEDs) to assist the Board in achieving the following objectives:

- a) ensuring that appropriate procedures exist to assess the remuneration levels of the Chairman, Non-executive Directors, Executive Directors, direct
- b) ensuring that the Company adopts, monitors and applies appropriate remuneration policies and procedures;
- c) ensuring reporting disclosures related to remuneration meet the Board's disclosure objectives and all relevant legal requirements; and
- d) overseeing and recommending processes for periodically evaluating the performance of Executive KMP.

During FY20 the Remuneration Committee comprised of Michael Gray (Chair), Lulamile Xate, Greg Hunter and Manish Dahiya (alternate to Greg Hunter). Manish Dahiya resigned effective 30 June 2020.

The Charter for the Committee is available on the Company's website together with the Remuneration Policy.

The Board, in consultation with the Remuneration Committee, reviews the Company's Remuneration Policy annually to ensure that the executive remuneration framework remains appropriate and aligned to the business needs. The Company's remuneration policies covering executives are based on the following core principles:

- a) to ensure that remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders;
- b) to attract and retain skilled executives; and
- c) to structure short and long-term incentives that are challenging and linked to the creation of sustainable shareholder returns.

**(ii) Summary of activities undertaking during 2020**

During the current year the focus of the Board was on completing the funding package which included completion of main Conditions Precedent which are required by the Lenders to complete financial close.

The committee actioned the following matters during the year:

- a) Appointment of a Chief Financial Officer effective 1 June 2020; and
- b) Engagement with key shareholders as to concerns and expectations.

**(iii) Focus areas for 2021**

The committee will actioned the following matters during the year:

- a) A review of the current remuneration policies with the objective to conform to and fit within a sound remuneration policy framework at all levels and across the whole organization, differentiated at two levels of responsibility – being the key management personnel and support staff,
- b) Review and benchmarking of a Long-Term Incentive (LTI) share awards in order to be appropriately aligned with current best market practices as part of the remuneration mix for KMPs, and
- c) Review of remuneration packages that will include an annualised guaranteed package (AGP), a short-term incentive (STI) and a long-term share-based Incentive aligning commitment with accountability to shareholders.

**(iv) Voting on remuneration**

In line with the listing requirements of the Corporations Act of Australia, the remuneration policy and implementation reports will be tabled for separate non-binding advisory votes by shareholders at the annual general meeting, and an engagement process will be conducted in the event that either are voted against by 25% or more of the voting rights exercised at the meeting.

The remuneration report were presented for shareholder voting at the annual general meeting (AGM) held on 27 November 2019. The remuneration report received an in-favour vote of 93% from shareholders.

The company interacted with key shareholders to obtain information about the reasons for the votes against.

The following comments were raised and considered.

Topic	Shareholder comments	Remuneration Committee response
Remuneration Policy	The remuneration policy should be a comprehensive and sufficiently substantiated remuneration policy. The current policy have some shortfalls as it relates to other disclosures that aim to foster enhanced accountability on remuneration.	The committee considered these comments and the remuneration policy are being updated.
Remuneration Policy	The companies determination of KPIs and weightings should provide measurability.	The committee considered these comments and are being included in new policy. The disclosure on KPIs, weighting and measurability has been enhanced in this year's report.

The Board of Directors will continue to encourage regular dialogue with shareholders to create and maintain a mutual understanding of what performance is expected.

**(v) Remuneration Consultants**

During the 2019 year, the company consulted with remuneration consultants, PE Corporate Services (PECS), to assist with the KPIs for the KMPs, together with a review of the structured compensation. In the current period no consultation were had with PEC, however, the same strategies were employed.

Management will actively engage with the remuneration consulting team at PECS in support of the review of the remuneration policy, KPIs, and the development and implementation of the remuneration principles after completion of the funding for the development of the Boikarabelo Coal Mine.

**Part 2: Remuneration policy and structure**

**(i) Proposed revised strategy**

The retrenchment of employees and the downsizing of the organization pending its required funding will enable to company to at the same time restructure its senior executive remuneration policies so that they are more in line with the labour market in SA.

NED's and senior management were asked to sacrifice 30% of their salaries while the Company was trying to reach Financial Close. The delay in Financial Close has resulted in planned strategies not being implemented.

Careful consideration will be given to the retention strategy – so that the company does not lose the expertise of key employees who are critical to the success of the venture.

This review process will ensure that the proposed remuneration packages will include an annualised guaranteed package (AGP), a short-term incentive (STI) and a long-term share-based Incentive.

- a) The remuneration packages of the KMPs will be benchmarked annually in advance by the committee on the basis of a reputable salary survey.
- b) KMPs will be awarded a performance bonus at the end of the financial year based on a scorecard of corporate and personal or job-related performance criteria that is approved by the CEO at the commencement of the financial year. The performance criteria applying to the CEO will be approved by the committee in liaison with the Chairman of the Board. The weighting between financial and non-financial criteria will be decided annually in advance for each incumbent independently of the others. The non-financial criteria in F2021 will be job-related strategic projects and objectives.
- c) A long-term share option scheme is to be introduced effective from F2021 in order to reward each KMP for his or her contribution to the achievement by the company of long-term strategic goals and to retain them in service for a period which is long enough for them to be able to influence the financial earnings capacity of the company.

**(ii) Current remuneration policy and components**

*Executive KMP remuneration*

Remuneration component	Policy principles and application	Performance targets and pay-out details
Fixed remuneration	Fixed remuneration received by the KMP are subject to approval by the Remuneration Committee. Fixed remuneration is comprised of base salary plus other monetary benefits. In line with Group policy and Executives' service agreements, remuneration levels are reviewed annually based on market benchmarking and individual performance.	Taking into account the delays in securing project funding and the Company's financial position during FY20, <b>the Remuneration Committee did not award any pay increases during FY20.</b>
Short-term incentives (STIs)	STIs are offered on a competitive basis considering a total remuneration package benchmarked against relevant industry groups and having regard for the specific circumstances of the Group. The components of each Executive's total remuneration package is weighted in accordance with their role and responsibilities and are reflected in their employment contracts.  The Remuneration Committee recommends to the Board at the beginning of the year appropriate targets and key performance indicators (KPIs) to be linked to the STI plan. The level of payout if performance targets are met is also considered by the Committee. This includes setting any maximum payout under the STI plan and minimum levels of performance to trigger payment of STIs. These performance targets are based on both financial and non-financial targets which are monitored during the financial year. During project funding and construction phases, there will be a higher proportion of non-financial metrics. Further details are noted under (vi) below (Service Agreements).	Although STI KPIs were in place for most KMP in FY20, <b>the Remuneration Committee did not consider it prudent to award any STI payout in FY20</b> due to delays in securing project funding. KMP were supportive of the position taken. There are no STI incentives in the employment contract of the Interim CEO due to the nature of this short-term assignment.  The Remuneration Committee has advised KMP that STI KPI performance will be reviewed post Financial Close.
Long-term incentives (LTIs)	The Long-Term Incentive Plan (LTIP), known as the Employee Share Plan, was approved by shareholders at the October 2014 Annual General Meeting. Performance share rights are granted under the LTIP to employees eligible to participate in the plan i.e. those at an executive level. The LTIP for the period to 26 November 2015 was focused on achieving key Group milestones including funding, mine development and initial coal production of the Boikarabelo Coal Mine as per section (v) b) and (vii) below. Performance share rights are granted under the LTIP for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities.	Each year the Board, on the recommendation of the Remuneration Committee, considers whether senior executives should be awarded performance share rights under the LTIP and considers the appropriate targets and key performance indicators to determine what hurdles are appropriate for vesting to occur. <b>There have been no new grants since the establishment of the Remuneration Committee formed by the new Board in November 2015</b> and the LTIP has been put on hold pending finalisation of project funding. The Remuneration Committee is developing a remuneration framework for FY21 to be triggered when funding is obtained and mine development commences. Short and long-term incentives aligned with this strategy and shareholder interests will form part of this framework.
Sign-on incentives	To attract suitable KMP, it is sometimes necessary to offer sign-on payments. Such payments are consistent with market practise in the industry and facilitate movement of executives to Resgen by compensating them for a portion of entitlements that they would otherwise lose on leaving their previous employer.	<b>No new sign-on incentives were awarded in FY20.</b>

The above reflects the current remuneration structure which is currently being reviewed by the remuneration committee in conjunction with the remuneration consultant.

*Non-executive Director remuneration*

Remuneration	Policy principles and application	Performance targets and pay-out details
Fixed remuneration	The Board policy is to remunerate NEDs at market rates for time, commitment and responsibilities. The Board determines payments to NEDs and annually reviews their remuneration taking into account comparable roles, comparative market data and if required the advice of independent remuneration consultants. Directors are expected to attend all board meetings and roles on sub-committees are evenly shared. Consequently no separate meeting fee is paid.	The Board determined that there would be <b>no increase in fees for FY20 and Non-executive Director fees have remained unchanged since the new Board was appointed in November 2015.</b>
Short-term incentives (STIs)	No STIs are awarded to Directors.	No STIs are awarded to Directors.
Long-term	No LTIs are awarded to Directors.	Directors do not receive any performance share rights.
Retirement plans	There are no retirement allowances or other benefits paid to Directors although Australian-based Directors are required to pay a statutory superannuation guarantee amounting to 9.5%.	Directors do not receive lump-sum retirement payments at end of tenure.

The above reflects the current remuneration structure which would have been reviewed by the remuneration committee, however, due to delays in Financial Close, the review process has been halted.

**(iii) Members of Key Management Personnel (KMP)**

The table below sets out details of those persons who were KMP of the Group during FY20.

Name	Position	Period as KMP
<i>Non-executive Members of KMP (Non-executive Directors (NEDs))</i>		
L Xate	Chairman and Non-executive Director	Full year
R Croll	Independent Non-executive Director	Full year
G Hunter	Non-executive Director	Full year
C Gilligan	Independent Non-executive Director	Full year
K Sebati	Independent Non-executive Director	Full year
M Dahiya <sup>1</sup>	Non-executive Director (Alternate for H Hunter)	Full year
M Gray	Independent Non-executive Director	Full year
<i>1. Mr Dahiya resigned effective 30 June 2020.</i>		
<i>Executive Members of KMP (Executive KMP)</i>		
L Molotsane	Interim Managing Director and Chief Executive Officer (CEO)	Full year
B Harvey <sup>2</sup>	Chief Financial Officer (CFO)	From 1 June 2020
Z van der Bank	Chief Operations Officer (COO)	Full year
H van den Aardweg	General Manager Operations (GMO)	Full year
S Selibe	Head of Marketing and Logistics (HML)	Full year

*2. Mr B Harvey is the Chief Financial officer with effect from 1 June 2020.*

**Part 3: Implementation of remuneration policy**

*Executive KMP remuneration*

Due to the delays in finalising the finance for the development of the Boikarabelo Coal Mine, the typical mix of remuneration comprising fixed and at-risk components has not yet been fully implemented. The objectives of having fixed, short and long-term incentives are however set out in the Remuneration Policy. The short-term objective set at the beginning of FY16 was the achievement of financial close for funding of the Boikarabelo Coal Mine whilst meeting all compliance obligations. In this connection, operation of the Long-Term Incentive Plan was put on hold by the Remuneration Committee pending achievement of this objective. The Remuneration Committee is developing a remuneration framework for FY21 that will be triggered once funding is obtained and mine development commences. Short and long-term incentives aligned with this strategy and shareholder interests will form part of this framework.

The Group policy has the objective of structuring executive remuneration that is market competitive in order to attract and retain high caliber executives and which is complementary to the reward strategy of the organisation. The framework provides a mix of fixed and variable pay, and a combination of short and long-term incentives. The remuneration of executives through to 2022 will be aligned with key milestones in the development of the Boikarabelo Coal Mine once funding is secured.

The following table illustrates the remuneration mix for Executive KMP as at 30 June 2020 (assuming Target performance for at-risk components).

	2020				2019			
	Fixed	STI - At Risk	LTI - At Risk <sup>1</sup>	Total	Fixed	STI - At Risk	LTI - At Risk <sup>1</sup>	Total
L Molotsane <sup>2</sup>	100%	0%	0%	100%	100%	0%	0%	100%
B Harvey <sup>3</sup>	80%	20%	0%	100%	0%	0%	0%	0%
Z van der Bank	71%	29%	0%	100%	71%	29%	0%	100%
H van den Aardweg	80%	20%	0%	100%	80%	20%	0%	100%
S Selibe	100%	0%	0%	100%	100%	0%	0%	100%

1. The LTIP has been put on hold by the Remuneration Committee pending funding of the Boikarabelo Coal Mine.

2. Interim role hence decision by the Board not to include an STI or LTI component.

3. New CFO appointed on 1 June 2020.

The ratio of average KMP remuneration to the average remuneration of other employees is 5 (2019: 5).

The table below is designed to give shareholders a better understanding of the actual remuneration outcomes for Executive KMP in FY20. It includes:

- a) fixed remuneration earned in FY20;
- b) STI earned in respect of FY20;
- c) LTI earned in respect of FY20;
- d) any non-monetary benefits provided in FY20; and
- e) sign-on incentives earned in FY20.

	Fixed	STI <sup>1</sup>	LTI <sup>2</sup>	Other <sup>3</sup>	Total
<b>Executive KMP</b>	\$	\$	\$	\$	\$
L Molotsane <sup>4</sup>	393,572	-	-	26,334	419,906
B Harvey <sup>5</sup>	36,113	-	-	2,646	38,759
Z van der Bank	373,797	-	-	38,073	411,870
H van den Aardweg	409,387	-	-	37,239	446,626
S Selibe	167,729	-	-	-	167,729

1. The Remuneration Committee has proposed to review the STI performance bonus assessment after Financial Close.

2. No LTI Awards reached the end of their performance period in FY20.

3. Includes motor vehicle benefits (where applicable).

4. Appointed as Interim MD and CEO on 8 March 2018.

5. Appointed as CFO on 1 June 2020.

	FY20	FY19	% change	Comments
<b>L Molotsane</b>	\$	\$		
CTC Remuneration <sup>1</sup>	419,906	419,270	0%	FY20 increase due to currency conversion and motor vehicle for full year (salary denominated in ZAR).
STI <sup>2</sup>	-	-	0%	No eligibility to bonus incentives due to the nature of this short-term assignment.
LTI <sup>3</sup>	-	-	0%	No eligibility to bonus incentives due to the nature of this short-term assignment.
Total Remuneration	419,906	419,270	0%	
<b>B Harvey <sup>4</sup></b>				
CTC Remuneration <sup>1</sup>	38,759	-	-100%	Appointed as CFO effective 1 June 2020 (1 months) in FY20.
STI <sup>2</sup>	-	-	0%	Appointed as CFO effective 1 June 2020 (1 months) in FY20.
LTI <sup>3</sup>	-	-	0%	Employee Share Plan currently on hold pending funding.
Total Remuneration	38,759	-	-100%	
<b>Z van der Bank</b>				
CTC Remuneration <sup>1</sup>	411,870	427,112	4%	FY20 decrease due to currency conversion (salary denominated in ZAR).
STI <sup>2</sup>	-	-	0%	STI performance bonus assessment deferred until after Financial Close.
LTI <sup>3</sup>	-	-	0%	Employee Share Plan currently on hold pending funding.
Total Remuneration	411,870	427,112	4%	
<b>H van den Aardweg</b>				
CTC Remuneration <sup>1</sup>	446,626	445,816	0%	Increase due to currency conversion (salary denominated in ZAR).
STI <sup>2</sup>	-	-	0%	STI performance bonus assessment deferred until after Financial Close.
LTI <sup>3</sup>	-	-	0%	Employee Share Plan currently on hold pending funding.
Total Remuneration	446,626	445,816	0%	

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S Selibe				
CTC Remuneration <sup>1</sup>	167,729	173,937	4%	Decrease due to currency conversion (salary denominated in ZAR).
STI <sup>2</sup>	-	-	0%	STI performance bonus assessment deferred until after Financial Close.
LTI <sup>3</sup>	(360,000)	-	-100%	Employee Share Plan currently on hold pending funding.
Total Remuneration	(192,271)	173,937	-190%	
B O'Regan <sup>5</sup>				
CTC Remuneration <sup>1</sup>	-	302,109	0%	FY19 was for 7 months. Resigned 31 January 2019.
STI <sup>2</sup>	-	-	0%	
LTI <sup>3</sup>	-	(360,000)	0%	
Total Remuneration	-	(57,891)	0%	

1. CTC stands for Cost to Company.

2. STIs are being reviewed as part of the proposed revised remuneration strategy.

3. STIs are being reviewed as part of the proposed revised remuneration strategy.

4. Appointed as CFO effective 01 June 2020.

5. Resigned as CFO effective 31 January 2019.

The Company has benchmarked KMP remuneration against other coal development companies with an exposure to operations in South Africa taking into account comparable market capitalisation and total assets.

*Non-executive (NED) Director remuneration*

Fees for NEDs are determined within an aggregate Directors' fee pool limit, which is periodically reviewed for adequacy. Any increase to the aggregate Directors' fee pool is submitted to shareholders for approval. The maximum currently stands at \$500,000 per annum and was approved by shareholders at the Annual General Meeting on 24 October 2011.

All fees are set as an annual base fee. No meeting fee is applied as Directors are expected to make every effort to attend all Board meetings and workloads on sub-committees are evenly spread across Board members.

The annual fees (inclusive of superannuation contributions where applicable) for NEDs for being a member of the Board and participating in its sub-committees were as follows:

	Chairman <sup>1</sup>	Deputy Chairman	South African Member	Australian Member
	\$	\$	\$	\$
Board	71,000	42,600	42,600	75,000
Committees - Audit; Nomination; Remuneration; Risk Management; Social, Ethics and Transformation; Project Oversight; Finance Documents <sup>2</sup>	-	-	-	-

1. Fee of \$125,000 pa applied for the Australian Chairman until 22 November 2017. A fee of \$71,000 pa applies for the South African Chairman since 22 November 2017.

2. No additional fees are payable for serving on a Committee as the objective is to share this workload across all Board members.

**The Board determined that there would be no increase in fees for FY20 and Non-executive Director fees have remained unchanged since the new Board was appointed in November 2015.**

NEDs may receive additional remuneration for consultancy work undertaken on behalf of the Group outside of the scope of Non-executive Director responsibilities. The terms of any consultancy work based on specific skills required by the Group are market-related and are based on a fixed hourly and/or daily rate that **have not been increased since 2015**.

All NEDs enter into a service agreement with the Company in the form of a letter of appointment. The letter of appointment summarises the Board policies and terms, including remuneration, relevant to the office of Director of the Company.

The Company has instigated a 30% salary reduction for all NED's and senior management in order to preserve the cash resources that are available and to also adhere to the austerity measures that have been introduced.

**(i) Details of remuneration**

Details of the nature and amount of each element of the emoluments of Directors and KMP of the Group are set out in the following tables.

*a) Remuneration*

The following tables set out the statutory remuneration disclosures required under the *Corporations Act 2001* and have been prepared in accordance with the appropriate accounting standards and have been audited.

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	FY	Salary	STI	Other <sup>1</sup>	Super-annuation Benefits	Long Service Leave	Termination Benefits	Performance Shares	Total Remuneration
<b>Executive Directors</b>		\$	\$	\$	\$	\$	\$	\$	\$
L Molotsane <sup>2</sup>	2020	393,572	-	26,334	-	-	-	-	<b>419,906</b>
	2019	406,947	-	12,323	-	-	-	-	419,270
<b>Other Executives</b>									
B Harvey <sup>3</sup>	2020	36,113	-	2,646	-	-	-	-	<b>38,759</b>
	2019	-	-	-	-	-	-	-	-
Z van der Bank	2020	373,797	-	38,073	-	-	-	-	<b>411,870</b>
	2019	387,630	-	39,482	-	-	-	-	427,112
H van den Aardweg	2020	409,387	-	37,239	-	-	-	-	<b>446,626</b>
	2019	407,199	-	38,617	-	-	-	-	445,816
S Selibe	2020	167,729	-	-	-	-	-	-	<b>167,729</b>
	2019	173,937	-	-	-	-	-	-	173,937
B O'Regan <sup>4</sup>	2020	-	-	-	-	-	-	-	-
	2019	235,586	-	66,523	-	-	-	(360,000)	(57,891)
<b>Total</b>	<b>2020</b>	<b>1,380,598</b>	<b>-</b>	<b>104,292</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,484,890</b>
	2019	1,611,299	-	156,945	-	-	-	(360,000)	1,408,244

1. Includes sign-on incentives, motor vehicle benefits, medical aid, housing allowance and leave entitlement on resignation (where applicable).

2. Appointed Interim Managing Director and CEO effective 8 March 2018; amount is inclusive of NED fee from 8 March 2018.

3. Appointed as CFO effective 1 June 2020.

4. Resigned as CFO effective 31 January 2019.

Non-executive Directors	FY	Short-term Benefits			Post-Employment Benefits		Total Remuneration for
		Board and	Non-	Other Fees <sup>1</sup>	Super-	Termination	
		\$	\$	\$	\$	\$	\$
L Xate	2020	70,332	-	-	-	-	<b>70,332</b>
	2019	71,000	-	-	-	-	71,000
R Croll	2020	42,199	-	-	-	-	<b>42,199</b>
	2019	42,600	-	-	-	-	42,600
C Gilligan	2020	68,493	-	-	6,507	-	<b>75,000</b>
	2019	68,493	-	-	6,507	-	75,000
Dr K Sebati	2020	42,199	-	-	-	-	<b>42,199</b>
	2019	42,600	-	-	-	-	42,600
G Hunter <sup>2</sup>	2020	-	-	-	-	-	-
	2019	-	-	-	-	-	-
M Gray	2020	68,493	-	-	6,507	-	<b>75,000</b>
	2019	39,954	-	-	3,796	-	43,750
P Watson <sup>3</sup>	2020	-	-	-	-	-	-
	2019	28,539	-	-	2,711	-	31,250
M Dahiya <sup>4</sup>	2020	-	-	-	-	-	-
	2019	-	-	-	-	-	-
<b>Total</b>	<b>2020</b>	<b>291,716</b>	<b>-</b>	<b>-</b>	<b>13,014</b>	<b>-</b>	<b>304,730</b>
	2019	293,186	-	-	13,014	-	306,200

1. Certain Non-executive Directors received additional consultancy fees for work undertaken on behalf of the Group outside of the scope of non-executive director responsibilities. The nature of the work ranges from involvement in financial, technical and operational issues as well as engagements with key stakeholders in the project based on the specialist skills of the Director. The terms of this consultancy work are market-related and are based on a fixed hourly and/or daily rate.

2. Representative of major shareholder appointed on 17 May 2017. No fees are payable.

3. Resigned as Director effective 30 November 2018.

4. Resigned as Director effective 30 June 2020.

**Other than as disclosed in the table above, there were no fees paid to director-related entities.**



*b) Shareholdings*

The number of shares in the Company held during FY20 by each KMP of the Company, including their personally related parties, are set out below:

	Held at 30 June 2019	Received on vesting of rights	Received as remuneration <sup>1</sup>	Other net changes	Held at 30 June 2020
<b>Non-executive Directors</b>					
L Xate <sup>1</sup>	-	-	-	-	-
G Hunter <sup>2</sup>	-	-	-	-	-
M Dahiya <sup>2</sup>	-	-	-	-	-
<b>Executive KMP</b>					
B O'Regan <sup>3</sup>	276,000	-	-	(276,000)	-
Z van der Bank	4,067,717	-	-	-	4,067,717
H van den Aardweg	1,050,000	-	-	-	1,050,000
S Selibe	30,000	-	-	-	30,000
<b>Totals</b>	<b>5,423,717</b>	-	-	<b>(276,000)</b>	<b>5,147,717</b>

1. In addition to the above, 62,124,089 (FY19: 62,124,089) ordinary shares are held beneficially by a related party to the KMP.

2. In addition to the above, 79,609,933 (FY19: 79,609,933) ordinary shares are held beneficially by a related party to the KMP.

3. B O'Regan resigned effective 31/09/2019..

*c) Performance share rights*

The number of performance share rights over ordinary shares in the Company held during FY20 by each KMP of the Company, including their personally related parties, are set out below. The performance rights were issued by the previous Board of Directors prior to the decision to freeze the LTIP pending funding of the project. Refer (vii) below for further details.

	Held at 30 June 2019	during the year	forfeited during the	Held at 30 June 2020	exercisable at 30 June 2020	Unvested at 30 June 2020
H van den Aardweg	2,500,000	-	-	2,500,000	-	2,500,000
<b>Totals</b>	<b>2,500,000</b>	-	-	<b>2,500,000</b>	-	<b>2,500,000</b>

*d) Transactions with KMP*

Other than as disclosed above, during FY20 there were no transactions between KMP or their closely related parties and the Group.

There are no amounts payable by KMP at 30 June 2020 (2019: nil). There are no loans with KMP.

**(ii) Service agreements**

Remuneration and other terms of employment for KMP are formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below:

Details	L Molotsane - ICEO	Z van der Bank - COO	H van den Aardweg - GMO
Contract term	Contract effective 8 March 2018, no fixed term	Contract effective 1 July 2016, no fixed term	Contract effective 1 November 2008, no fixed term
Termination and notice	Month to month arrangement, one calendar month's termination notice	One month's notice by employee; termination payments equivalent to three months' salary package	One month's notice by employee; termination payments equivalent to three months' salary package
Salary review	As the role is an interim arrangement the Package is not subject to review	Base salary and superannuation to be reviewed annually	Base salary and superannuation to be reviewed annually
Annual leave	Provision of four weeks' annual leave	Provision of four weeks' annual leave	Provision of four weeks' annual leave
STIs	No eligibility to bonus incentives	Provision made for the awarding of	Provision made for the awarding of bonuses
		(i) collaboration with the Executive Team having a single focus for timely achievement of financial close (25%)	(i) achievement of financial close (25%)
		(ii) completion of mining, processing and rail agreements (10%)	(ii) no regulatory or compliance breaches (10%)
		(iii) successful completion of the rail link funding (10%)	(iii) effective budget management with a focus of cost savings on controllable items (10%)
		(iv) construction plan, operating plan and ESAP schedule and all necessary licences and permits (10%)	(iv) approval of Social and Labour Plan (5%)
		(v) appointment and onboarding of an appropriately experienced Project Team (5%)	(v) approval of Borrow Pits permits (5%)

		(vi) comprehensive regulatory compliance (10%)	(vi) development of Environmental & Social Action Plan acceptable to the Lending Syndicate prior to Financial Close (5%)
		(vii) effective budget management with a focus of cost savings on controllable items (10%)	(vii) development of Mine Works Programme (MWP) acceptable to the Lending Syndicate prior to Financial Close (10%)
		(viii) development of a comprehensive Boikarabelo Risk Management Plan & Register (10%)	(viii) Obtain / Register Servitudes in Respect of All Properties (5%)
		(ix) safety compliance and mine discipline (5%)	(ix) safety compliance and mine discipline, zero LTIs (10%)
		(x) development and approval of appropriate policies, procedures (incl. Preferential Procurement) for commencement of development (5%)	(x) development and approval of appropriate policies, procedures (incl. Preferential Procurement) for commencement of development (5%)
			(xi) development and approval of Operational Readiness Plan, containing the detailed schedules and plans of the Project by the Board and accepted by the Lending Syndicate (10%)
LTIs	No eligibility to bonus incentives.	Currently no provision made for the award of performance share rights.	Provision made for the award of performance share rights. There have been no new grants since the establishment of the Remuneration Committee formed by the new Board and the LTIP has been put on hold pending finalisation of project funding.
<b>Details</b>	<b>S Selibe - HML</b>	<b>B Harvey - CFO <sup>1</sup></b>	
Contract term	Contract effective 1 March 2016, no fixed term	Contract effective 1 June 2020, no fixed term	
Termination and notice	One month's notice by employee; termination payments in line with Basic Conditions of Employment Act	One month's notice by employee; termination payments equivalent to three months' salary package	
Salary review	Package salary to be reviewed annually	Base salary and superannuation to be reviewed annually	
Annual leave	Provision of four weeks' annual leave	Provision of four weeks' annual leave	
STIs	Provision made for the awarding of bonuses at the discretion of the Board.	Provision made for the awarding of bonuses at the discretion of the Board.	
LTIs	Currently no provision made for the award of performance share rights.	Provision made for the award of performance share rights. There have been no new grants since the establishment of the Remuneration Committee formed by the new Board and the LTIP has been put on hold pending finalisation of project funding.	

1. Appointed as CFO effective 1 June 2020. KPI will be determined after completion of FC.

Non-executive Directors serve on a month-to-month basis and there are no termination payments payable.

*Key financial data*

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2020.

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	270	220	551	759	279
Unrealised foreign exchange movements	(14,149)	(1,132)	(3,006)	4,257	(4,165)
Net loss before tax	(21,587)	(6,043)	(10,342)	(1,975)	(7,656)
Net loss after tax	(21,587)	(6,043)	(10,342)	(1,974)	(7,657)
	cents	cents	cents	cents	cents
Share price at start of year	13	5	5	8	7
Share price at end of year	6	12	5	5	8
Basic earnings per share	(3.7)	(1.0)	(1.8)	(0.3)	(1.3)
Diluted earnings per share	(3.7)	(1.0)	(1.8)	(0.3)	(1.3)

\*These items were restated in the 2016 financial report

There were no dividends paid or proposed during the five years to 30 June 2020.

**(iii) Share-based compensation**

*Performance share rights*

Performance share rights are granted under the Long-Term Incentive Plan for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. During FY18, the Board approved an extension of the vesting period and a change in the performance hurdles for the performance share rights expiring during the financial year to recognise challenges with the delay in securing project funding. The modification involved rationalisation to one performance hurdle being the date on which the Company issues a Notice to Proceed to Sedgman in relation to the CPP EPC agreement. This date will only occur after Financial Close has been achieved.

The Long-Term Incentive Plan has been put on hold by the new Remuneration Committee pending funding of the Boikarabelo Coal Mine.

Unissued ordinary shares of Resource Generation Limited under performance share rights, held by KMP, at the date of this report are as follows:

Name	Grant date	Financial year in which rights may vest	Issue price of shares	Value per right at grant date	Number granted under right	Maximum total value of grant yet to vest	Year granted
						\$	
H van den Aardweg	28-Jan-14	2021	Nil	\$0.18	1,000,000	\$180,000	2014
H van den Aardweg	28-Jan-14	2021	Nil	\$0.18	1,500,000	\$270,000	2014

There is no pre-determined vesting or exercisable date for performance share rights. They are converted to shares on the date of vesting, which is at the discretion of the holder once performance hurdles are met. **During FY20, no performance share rights vested.**

The assessed fair value at grant date of performance share rights granted to employees is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables in Part 3 (i) above. The value attached to the performance share right is the share price on the day of issue.

End of remuneration report (audited).

**5. Additional information**

**(i) Shares under performance rights**

At 30 June 2020 there were 3.0 million unissued ordinary shares under performance share rights. No performance share rights were converted during FY20.

As at 30 June 2020 there are 2 holders of the total performance share rights of 3.0 million. There are no voting rights attached to performance share rights.

Performance share rights are granted under the Long-Term Incentive Plan for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. During FY18, the Board approved an extension of the vesting period and a change in the performance hurdles for the performance share rights expiring during the financial year to recognise challenges with the delay in securing project funding. The modification involved rationalisation to one performance hurdle being the date on which the Company issues a Notice to Proceed to Sedgman in relation to the CPP EPC agreement. This date will only occur after Financial Close has been achieved. The performance rights were issued by the previous Board of Directors prior to the decision to freeze LTIP pending funding of the project.

**(ii) Insurance and indemnification of officers and auditors**

Resource Generation Limited provides a Deed of Indemnity and Access (Deed) in favour of each of the Directors of Resource Generation Limited and its subsidiary companies and each person who acts or has acted as a representative of the Company serving as an officer of another entity at the request of the Company. The Deed indemnifies these persons on a full indemnity basis to the extent permitted by law for losses, liabilities, costs and charges incurred as a director or officer of the Group. Subject to specified exclusions, the liabilities insured are for costs that may be incurred in defending civil or criminal proceedings that may be brought against directors and officers in their capacity as directors and officers of the Group, and other payments arising from liabilities incurred by the directors and officers in connection with such proceedings. During the financial year, the Company paid insurance premiums to cover, to the extent permitted by law, any claims and expenses which may arise as a result of work performed in their capacities as directors or officers of the Company. The terms of the contract prohibit the disclosure of the premiums paid.

The Company has entered into an agreement to provide access to Company records and to indemnify the directors and officers of the Company. The indemnity relates to any liability:

- (a) as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law.
- (b) for legal costs incurred in successfully defending civil or criminal proceedings. No liability has arisen under these indemnities as at the date of this report.

The Company has not provided indemnity to its auditors.

**(iii) Proceedings on behalf of the Company**

No person has applied to the court under section 237 of the *Corporations Act 2001*, or any other relevant jurisdiction in which the Company operates, for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

**(iv) Rounding of amounts**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that instrument, amounts in the Directors' report and financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

**(v) Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18 of the financial report.

**(vi) Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and Group are important. The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors, made pursuant to section 298 (2) of the *Corporations Act 2001*.

On behalf of the Directors



**L Xate**  
**Chairman**  
Johannesburg  
18 December 2020

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**DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF RESOURCE GENERATION LIMITED**

As lead auditor of Resource Generation Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Resource Generation Limited and the entities it controlled during the year.



**R M Swaby**  
Director

**BDO Audit Pty Ltd**

Brisbane, 18 December 2020

**Resource Generation Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2020**

		<b>Consolidated</b>	
		<b>2020</b>	<b>2019</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
Interest income	5 (a)	96	140
Other income	5 (a)	174	80
		<u>270</u>	<u>220</u>
Administration, rent and corporate		(3,441)	(2,914)
Depreciation of property, plant and equipment	10	(113)	(258)
Employee benefits expense		(1,354)	(1,868)
Finance expenses		(2,836)	(594)
Share-based compensation expense	20 (a)	36	503
Unrealised foreign exchange movements		(14,149)	(1,132)
<b>Loss before income tax</b>		<u>(21,587)</u>	<u>(6,043)</u>
Income tax (expense)/benefit	6	-	-
Loss from continuing operations	20 (b)	(21,587)	(6,043)
<b>Loss for the year</b>		<u><b>(21,587)</b></u>	<u><b>(6,043)</b></u>
Other comprehensive (loss)/income, net of income tax			
Items that may be subsequently reclassified to profit or loss when specific conditions are met:			
Exchange differences on translation of foreign operations	20 (a)	2,197	1,586
Total comprehensive (loss)		<u>(19,390)</u>	<u>(4,457)</u>
<b>Loss is attributable to:</b>			
<b>Owners of Resource Generation Limited</b>		<u><b>(21,587)</b></u>	<u><b>(6,043)</b></u>
Total comprehensive loss for the year is attributable to:			
Owners of Resource Generation Limited		<u>(19,390)</u>	<u>(4,457)</u>
<b>Loss per share</b>			
Loss per share for loss from continuing operations		<b>Cents</b>	<b>Cents</b>
Basic loss per share	28	<b>(3.7)</b>	(1.0)
Diluted loss per share	28	<b>(3.7)</b>	(1.0)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*



**Resource Generation Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2020**

		<b>Consolidated</b>	
		<b>2020</b>	<b>2019</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>			
Cash and cash equivalents	7	323	1,474
Other receivables	8	161	56
Deposits and prepayments	9	149	175
		<u>633</u>	<u>1,705</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	24,973	30,245
Mining tenements and mining development	11	179,255	172,970
Deposits	12	1,038	1,277
Restricted Cash		1,599	1,632
		<u>206,865</u>	<u>206,124</u>
<b>TOTAL ASSETS</b>		<u><u>207,498</u></u>	<u><u>207,829</u></u>
<b>Current liabilities</b>			
Trade and other payables	13	6,101	4,226
Provisions	14	254	207
Borrowings	17	26,748	20,964
		<u>33,103</u>	<u>25,397</u>
<b>Non-current liabilities</b>			
Provisions	15	2,126	2,418
Borrowings	18	78,156	66,251
Royalties payable	16	1,401	1,625
		<u>81,683</u>	<u>70,294</u>
<b>TOTAL LIABILITIES</b>		<u><u>114,786</u></u>	<u><u>95,691</u></u>
<b>NET ASSETS</b>		<u><u>92,712</u></u>	<u><u>112,138</u></u>
<b>Equity</b>			
Contributed equity	19	223,622	223,622
Reserves	20	(35,359)	(37,520)
Accumulated losses	20	(95,551)	(73,964)
<b>TOTAL EQUITY</b>		<u><u>92,712</u></u>	<u><u>112,138</u></u>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**Resource Generation Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2020**

	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 July 2018</b>		<b>223,622</b>	<b>( 38,603)</b>	<b>( 67,921)</b>	<b>117,098</b>
Loss for the year	20 b)	-	-	( 6,043)	( 6,043)
Other comprehensive loss for the year - exchange differences on translation of foreign operations	20 a)	-	1,586	-	1,586
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>1,586</b>	<b>( 6,043)</b>	<b>( 4,457)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Employee share plan - value of employee services	20 a)	-	( 503)	-	( 503)
		-	( 503)	-	( 503)
<b>Balance at 30 June 2019</b>		<b>223,622</b>	<b>(37,520)</b>	<b>(73,964)</b>	<b>112,138</b>
Loss for the year	20 b)	-	-	( 21,587)	( 21,587)
Other comprehensive income for the year - exchange differences on translation of foreign operations	20 a)	-	2,197	-	2,197
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>2,197</b>	<b>( 21,587)</b>	<b>( 19,390)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Employee share plan - value of employee services	20 a)	-	( 36)	-	( 36)
		-	( 36)	-	( 36)
<b>Balance at 30 June 2020</b>		<b>223,622</b>	<b>(35,359)</b>	<b>(95,551)</b>	<b>92,712</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**Resource Generation Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2020**

		<b>Consolidated</b>	
		<b>2020</b>	<b>2019</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,831)	(5,939)
Interest received		96	140
Finance costs		(5)	(34)
Taxation refunds		-	-
<b>Net cash outflow from operating activities</b>	<b>27</b>	<b>(2,740)</b>	<b>(5,833)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(50)	(2)
Payments for mining tenements and mining development		(4,061)	(5,599)
<b>Net cash outflow from investing activities</b>		<b>(4,111)</b>	<b>(5,601)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(520)	(2,240)
Drawdown of borrowings		6,452	13,371
<b>Net cash inflow from financing activities</b>		<b>5,932</b>	<b>11,131</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(919)</b>	<b>(303)</b>
Cash and cash equivalents at the beginning of the year		1,474	1,729
Effects of exchange rate movements on cash and cash equivalents		(232)	48
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>323</b>	<b>1,474</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## **1. Summary of Significant Accounting Policies**

The principal accounting policies adopted in the presentation of the consolidated financial statements are as set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Resource Generation Limited and its subsidiaries.

### **a) Statement of compliance**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board including Interpretations and the *Corporations Act 2001*. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

It is recommended that this financial report is read in conjunction with any public announcements made by Resource Generation Limited during the year, in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The financial statements were approved by the Board of Directors on 16 December 2020, subject to regulations issued by the ASX on lodging unaudited accounts.

### *Notes to the consolidated financial statements*

The financial report of Resource Generation Limited also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### *Going concern*

As at 30 June 2020, the Group had net current liabilities of \$32.470 million (2019: \$23.692 million net current liabilities), made a loss of \$21.587 million for the year (2019: \$6.043 million loss) and recorded a net cash outflow from operations of \$2.740 million (2019: \$5.833 million net cash outflow). The Group had a cash balance at 30 June 2020 of \$0.323 million (2019: \$1.474 million). The Directors have prepared the financial report on a going concern basis.

In concluding that the going concern basis is appropriate, a cash flow forecast has been prepared for the twelve months to 16 December 2021. The forecast includes the following key assumptions:

- (a) Extending the Facility Agreement by up to an additional US\$0.92m (total facility increased to US\$50.07m) on similar terms to those included in the Eighth Deed of Amendment and Restatement (see ASX Announcements: 2 April and 15 May 2020);
- (b) Amending the first date for repayment of the Facility Agreement from 30 September 2020 to 28 February 2021;
- (c) Deferral of payment to principal consultant associated with the Mine Funding package totally R18.7 million through to 28 February 2020. Management intends to settle this principal consultants through the sale of non core parcel of land for ZAR12m which has been executed as at signing date and planned equity capital raising strategy;
- (d) Austerity operating budget principles applied for the entire 12 month cash flow forecast period in order to minimise spend so that all compliance is adhered to;
- (e) Noble, with the support of Resgen, is leading an initiative with a Financial Advisor to evaluate the introduction of a strategic partner or investor into Resgen. The objective of this opportunity is to make a positive contribution to Resgen's investment proposition, including Resgen's ability to progress the development of the Boikarabelo Project. A separate work stream has been initiated with the Financial Advisor to review approaching the equity capital markets in the new year to raise a small amount of funding to allow Resgen and Noble to complete this strategic investment opportunity

The Directors note the following in respect of the key assumptions:

- (a) The Directors' support the Investment opportunity strategy and are working closely with Noble and the Financial Advisor.
- (b) Noble has formally confirmed that a further extension of the commencement date for repayments under the Facility Agreement dated 3 March 2014, beyond 28 February 2021 will be granted.

These conditions give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

## **1. Summary of Significant Accounting Policies (continued)**

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

### ***Basis of preparation***

The consolidated financial statements have been prepared on the basis of historical cost, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

#### **a) Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **b) Principles of consolidation**

##### *Subsidiaries including development partners*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Resource Generation Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended. Resource Generation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **c) Segment reporting**

The Group has adopted a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes, consistent with the internal reporting provided to the Board.

#### **d) Foreign currency translation**

##### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian Dollars, which is Resource Generation Limited's presentation and functional currency.

**1. Summary of Significant Accounting Policies (continued)**

*(ii) Transactions and balances*

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not restated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit and loss on repayment of the monetary items.

Foreign exchange differences reflect the movement of the exchange rate between the Australian Dollar and the South African Rand and the Australian Dollar and the American Dollar. The closing exchange rates at 30 June 2020 were 11.9216 (2019: 9.8545) and 0.688 (2019: 0.702), respectively.

*(iii) Group companies*

The results and financial position of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position are translated at the closing rate at reporting date;
- Income and expenses for each statement of profit or loss and comprehensive income are translated at average exchange rates over the period (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange rate differences are recognised in other comprehensive income and accumulated in equity.

On consolidation, exchange rate differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

**e) Revenue recognition**

Interest revenue is recognised on a time proportional basis using the effective interest method.

**f) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of tax laws at the end of the accounting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken where the tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liability settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising on initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

**1. Summary of Significant Accounting Policies (continued)**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Directors have not recognised any deferred tax assets in relation to carry forward unused tax losses. Given the history of operating losses the Directors have determined that the most appropriate time to recognise deferred tax assets from carry forward unused tax losses is when the mine commences production.

**g) Cash and cash equivalents**

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**h) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets such as mining tenements and mining development are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit and loss immediately.

The above principles of impairment also apply to mining tenements.

**i) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

**j) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**1. Summary of Significant Accounting Policies (continued)**

**k) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

**l) Earnings per share**

- (i) Basic earnings per share ("EPS") is calculated by dividing the result attributable to equity holders of the Group by the weighted average number of shares outstanding during the year.
- (ii) Diluted earnings per share adjusts the figures used to determine EPS to take into account:
  - the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
  - the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**m) Goods and services tax (GST) and Value added tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from the taxation authority is shown as a receivable in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

The treatment for VAT, in relation to offshore entities, is consistent with the treatment of GST.

**n) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at reporting date. No dividends were paid or proposed to be paid to members during the current year.

**o) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment and borrowing costs capitalised during the construction of a qualifying asset.

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation on assets is calculated on a straight-line basis to allocate their cost, net of their residual values, over their useful estimated lives as follows:

Computer equipment	2-5 years
Office equipment	1-10 years
Motor vehicles	5 years
Buildings	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 h).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.



**1. Summary of Significant Accounting Policies (continued)**

**p) Employee benefits**

*(i) Short-term and long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

*(ii) Retirement benefit obligations*

Contributions to superannuation funds by the consolidated entity are expensed in the year they are paid or become payable.

**q) Share-based payments**

Share-based compensation benefits are provided to employees via the Resource Generation Limited Employee Share Plan.

The fair value of performance share rights granted under the Resource Generation Limited Employee Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The assessed fair value at grant date of performance share rights granted to individuals is allocated equally over the period from grant date to vesting date. The value attached to the performance share rights is the share price on the day of issue.

For options issued and approved by shareholders, fair values at grant date are determined using a binomial pricing model that takes into account exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

**r) Investments and other financial assets**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

For the purpose of subsequent measurement, all financial assets are classified at amortised cost.

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

**s) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**t) Comparative figures**

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**u) Parent entity financial information**

The financial information for the parent entity, Resource Generation Limited, disclosed in note 30, has been prepared on the same basis as the consolidated financial statements, except as set out below.

*(i) Investments in subsidiaries, associates and joint ventures.*

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the financial statements of Resource Generation Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

**v) Exploration and evaluation assets**

Exploration and evaluation costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are expensed as incurred and only carried forward where there is certainty that the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest.

Once the technical feasibility and commercial viability of the area of interest are demonstrable, all carrying costs in respect of that area of interest are transferred to mining tenements and mining development.

When an area of interest is abandoned or the Directors decide that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial year the decision is made. Each area of interest is also reviewed at the end of each accounting year and accumulated costs impaired to the extent that they will not be recoverable in the future.

**w) Mining tenements and mining development**

Mining tenement and mining development costs are accumulated in respect of each mine. Carried costs include exploration and evaluation costs which have been transferred once the technical feasibility and commercial viability of the related mine is established (see note 1w). Development costs and overhead costs that are directly attributable to the mine development are also capitalised, together with borrowing costs incurred during the construction of the mine (see note 1t).

Development costs related to a mine are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the mine.

When a mine is abandoned or the Directors decide that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial year the decision is made. Each mine is also reviewed at the end of each accounting year and accumulated costs impaired to the extent that they will not be recoverable in the future. Mining tenements are recognised at cost, after provision for impairment.

**x) New accounting standards and interpretation**

**The following standard has been adopted from 1 July 2019:**

**AASB 16 : Leases**

The Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Group elected to apply exemptions for short term leases and not to apply exemptions for other short-term leases or for leases for which the underlying asset is of low value.

Based on the accounting policy applied the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- \* the amount of the initial measurement of the lease liability,
- \* any lease payments made at or before the commencement date, less any lease incentives
- \* any initial direct costs incurred by the lessee,
- \* an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

## 2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board of Directors and management under policies approved by the Board. The Board and management identify and evaluate financial risks and provide principles for overall risk management.

## 2. Financial risk management

### a) Market risk

#### (i) Interest rate risk

The Group is not exposed to any material interest rate risk as the Noble USD borrowing is fixed at 10.75% per annum and for the Eighth Deed of Amendment to the Facility, the interest rate is 16.00% per annum.

#### (ii) Foreign currency risk

The Group operates internationally and is exposed to currency exposures in respect of the South African Rand in relation to the development and exploration activities in South Africa and the US Dollar in respect of borrowings. Foreign exchange risk is managed through the holding of cash deposits in both South African Rand and US Dollar to match forecast expenditure over the near term. The foreign exchange exposure is not hedged.

If the South African Rand weakened/strengthened against the Australian Dollar by 10% since 30 June 2020 the impact on the Group's net loss after tax would amount to \$2.139 million (2019: \$0.819 million). If the South African Rand weakened/strengthened against the US Dollar by 10% since 30 June 2020 the impact on the Group's net loss after tax due to retranslation of the US Dollar borrowings would amount to \$10.490 million (2019 : \$8.668 million). Other components of equity would not have been affected, with the exception of the foreign currency translation reserve which would have been increased/decreased by \$3.485 million (2019: \$3.705 million) with a 10% movement in the South African Rand against the Australian Dollar.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2020 Rand '000	2019 Rand '000
Cash at Bank (South Africa, Mauritius & Australia)	3,790	13,332
VAT (payable)/receivable	1,234	(62)
Mining related licence deposits	12,366	12,580
Royalty payable	16,018	16,018
Creditors and accruals	72,080	41,120
Borrowings (EHL loan)	-	5,247
	<b>USD '000</b>	<b>USD '000</b>
Cash at Bank	1	1
Borrowings (Noble loan)	72,133	60,810

#### (iii) Price risk

The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the statement of financial position at fair value through profit or loss or fair value through other comprehensive income. The Group is exposed to commodity price risk to the extent it relates to funding activities and the ability to meet the economic hurdles used by the funders to assess credit risk.

### b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group has no material credit risk exposure to any single receivable or receivables under financial instruments entered into by the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions only independently rated parties with a minimum rating by Standard & Poors of "A" are accepted.

## 2. Financial risk management (continued)

### c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. Cash flow forecasting monitors liquidity requirements. The Group has \$6.101 million (2019: \$4.226 million) in trade and other payables and borrowings of \$104,904 million (2019: \$87,215 million) as at 30 June 2020. For an assessment of the Group as a going concern, refer to note 1 a).

	< 6 months	7 - 12 months	1 - 5 years	> 5 years	Total undiscounted cash flows	Total carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30-Jun-20						
Trade payables	2,193	-	-	-	2,193	2,193
Other payables	-	3,908	-	-	3,908	3,908
Borrowings	17,856	13,584	91,875	13,831	137,146	104,904
<b>TOTAL</b>	<b>20,049</b>	<b>17,492</b>	<b>91,875</b>	<b>13,831</b>	<b>143,247</b>	<b>111,005</b>
30-Jun-19						
Trade payables	1,220	-	-	-	1,220	1,220
Other payables	-	3,006	-	-	3,006	3,006
Borrowings	9,222	10,665	72,871	24,856	117,614	87,215
<b>TOTAL</b>	<b>10,442</b>	<b>13,671</b>	<b>72,871</b>	<b>24,856</b>	<b>121,840</b>	<b>91,441</b>

### d) Cash flow and fair value interest rate risk

As the Group's variable interest-bearing liabilities amount to only nil (2019: \$0.532 million), its income and operating cash flows are not materially exposed to changes in market interest rates. The Group has \$0.323 million (2019: \$1.474 million) in interest bearing accounts which is subject to movements in interest rates. At the current level of interest rates, any risk is considered minimal.

### e) Fair value estimation

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

## 3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Capitalisation of Mining Tenements and Mining Development expenditure*

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each mine in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises direct costs plus overhead expenditure incurred which can be directly attributable to the development process, in accordance with AASB 116 'Property, Plant & Equipment'.

All expenditure incurred prior to the commencement of commercial levels of production from each area of interest is carried forward to the extent which recoupment out of revenue to be derived from the sale of production from the area of interest, or by its sale, is reasonably assured. Once commercial levels of production commence, the development expenditure in respect of that area of interest will be depreciated on a straight-line basis, based upon an estimate of the life of the mine.

### 3. Critical accounting estimates and judgements

Development expenditure on the Boikarabelo Coal Mine has been fully capitalised as per note 11. The Group is confident of the full recovery of the expenditure on the Boikarabelo Coal Mine on the basis of the financial modelling of the mine incorporating forecast production, sales levels and capital expenditure. This model is updated regularly and used to assess whether an impairment provision is required. Based on the current critical estimates and judgements, the Directors do not believe that an impairment provision is required.

As at 30 June 2020 the carrying value of the capitalised Mining Tenements and Mining Development Expenditure is \$179,255 million (2019: \$174,602 million) as disclosed in note 11. In the current year \$22,577 million of development expenditure has been capitalised.

Management has exercised judgement in determining whether development expenditure incurred meets the criteria for capitalisation, including:

- Assessing whether costs are directly attributable to bringing the mine to the location and condition necessary for operating as intended; and
- Assessing whether it is probable that the expenditure will result in future economic benefits, including an assessment of the availability of adequate funding for development and exploitation of the asset or alternatively, the ability to sell the asset.

#### *Impairment of Property, Plant and Equipment and Mining Tenements and Mining Development expenditure*

As at 30 June 2020 the carrying value of Property, plant and equipment and Mining Tenements and Mining Development Expenditure is \$24.973 million (2019: \$30.245 million) and \$179.255 million (2019: \$174.602) respectively, as disclosed in notes 10 and 11.

Management has exercised judgement in determining whether indicators of impairment exist for Property, Plant and Equipment and Mining Tenements and Mining Development expenditure. Indicators were identified during the current year and the model was updated, including:

- Future cash flows for Cash Generating Units ('CGU'), which include estimates of future coal prices, operating and capital costs and foreign exchange rates; and
- Discount rates.

The financial model is sensitive to three principle assumptions being the export coal price, the discount rate and the USD/ZAR fx rate. These assumptions were varied in isolation to determine at what value would these need to be changed to in order for the recoverable amount to equal the carrying amount.

### 4. Segment information

#### 4.1 Description of operating segments

Management has determined the segments based upon reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from both a business and geographic perspective, with the Board being the chief operating decision maker.

The Group has coal interests in South Africa. The main priority is to develop its Coal Resources in the Waterberg region of South Africa. Management has determined that there is one operating segment, being mining tenements and mining development. Unallocated corporate administration reflects other corporate administration costs.

#### 4.2 Segment revenues and results

	Segment Revenue		Segment Loss	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Mining tenements and mining development	265	220	(20,703)	(11,501)
Corporate - unallocated	5	-	(687)	67
<b>Total for continuing operations</b>	<b>270</b>	<b>220</b>	<b>(21,390)</b>	<b>(11,434)</b>

Segment revenue comprises interest income and other sundry income as disclosed in note 5.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. The mining tenements and mining development segment loss represents the loss incurred by that segment without allocation of central administration costs and salaries, gains and losses, finance costs and income tax expense, all of which are included in the corporate segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

#### 4.3 Segment asset and liabilities

	2020 \$'000	2019 \$'000
<b>Segment assets</b>		
Mining tenements and mining development	207,468	207,693
Corporate - unallocated	30	135
	<b>207,498</b>	<b>207,828</b>
<b>Segment liabilities</b>		
Mining tenements and mining development	114,481	95,431
Corporate - unallocated	303	157
	<b>114,784</b>	<b>95,588</b>

#### 4.4 Other segment information - property, plant and equipment

	Depreciation and amortisation		Additions	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Mining tenements and mining development	113	258	-	-
Corporate - unallocated	-	-	50	2
<b>Total</b>	<b>113</b>	<b>258</b>	<b>50</b>	<b>2</b>

#### 4.5 Other segment information - mining tenements and mining development

	Additions	
	2020 \$'000	2019 \$'000
Mining tenements and mining development	22,577	11,326
Corporate - unallocated	-	-
	<b>22,577</b>	<b>11,326</b>

#### 4.6 Geographical information

	Interest and -other income from external customers		Non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Australia	5	-	-	-
South Africa	265	220	206,865	206,124
<b>Total</b>	<b>270</b>	<b>220</b>	<b>206,865</b>	<b>206,124</b>

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**5 Profit or loss items**

		<b>Consolidated</b>	
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(a) Total income</b>			
<b>Income from continuing operations</b>			
Interest earned		96	140
		<b>96</b>	<b>140</b>
<b>Other income</b>			
Other income		174	80
		<b>174</b>	<b>80</b>
<b>Notes to the consolidated financial statements</b>		<b>270</b>	<b>220</b>

		<b>Consolidated</b>	
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(b) Loss for the year includes the following expenses</b>			
Rental expense		-	2
Defined benefit contribution - superannuation		<b>13</b>	<b>13</b>

**6 Income tax benefit/(expense)**

		<b>Consolidated</b>	
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>a) Income tax benefit/(expense)</b>			
Current tax		-	-
Deferred tax		-	-
Under/(over) provided in prior years		-	-
		<b>-</b>	<b>-</b>
Income tax benefit/(expense) is attributable to:			
Profit/(loss) from continuing operations		-	-
Loss from discontinued operations		-	-
Aggregate income tax benefit/(expense)		<b>-</b>	<b>-</b>
Deferred income tax expense included in income tax benefit/(expense) comprises:			
Decrease/(increase) in deferred tax assets		-	-
(Decrease)/increase in deferred tax liabilities		-	-
		<b>-</b>	<b>-</b>

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**6 Income tax benefit/(expense) (continued)**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>b) Numerical reconciliation of income tax (expense)/benefit to <i>prima facie</i> tax payable</b>		
Loss from continuing operations before income tax (expense)/benefit	(21,587)	(6,043)
Tax benefit at the Australian rate of 30%	6,476	1,813
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Share-based compensation benefit/(expense)	11	151
Income tax benefit not recognised	(6,487)	(1,949)
Income tax (expense)/benefit	-	-
	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>c) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	19,534	18,670
Potential tax benefit at Australian tax rate of 30%	<b>5,860</b>	<b>5,601</b>

In addition to the above, there are unused tax losses for the subsidiaries of \$20.503m (2019: \$16.366m) for which a deferred tax asset of \$6.151m (2019: \$4.909m) has not been recognised.

The Directors have not recognised any deferred tax assets in relation to carry forward unused tax losses. Given the history of operating losses the Directors have determined that the most appropriate time to recognise deferred tax assets from carry forward unused tax losses is when the Boikarabelo Coal Mine commences production.

Resource Generation Limited is in the process of reviewing the tax residency of the parent Company based on the place of effective management of the parent Company. The consequences of a move of the parent Company's tax residency from Australia to South Africa will result in a deemed disposals from a capital gains tax perspective on the investments and loans in the underlying assets. The high-level impact and consequences have been reviewed in conjunction with the Company's tax advisors, and the high-level capital gains tax loss on the deemed disposals of the investments and loans amounts to A\$186.7 million. With the potential change in the tax residency of the Company, the ability to use the available tax and capital losses in the future will be limited.

**7 Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	323	1,474
	<b>323</b>	<b>1,474</b>



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**8 Current assets - other receivables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Receivables	35	49
Government tax refunds	126	7
	<b>161</b>	<b>56</b>

**9 Current assets - deposits and prepayments**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	117	137
Deposits	32	38
	<b>149</b>	<b>175</b>

**10 Non-current assets - property, plant and equipment**

	<b>Consolidated</b>				
	<b>Land &amp; Buildings</b>	<b>Computer Equipment</b>	<b>Office Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening net book value 1 July 2018	29,091	116	123	233	29,563
Additions	-	-	2	-	2
Disposals	-	-	-	-	-
Depreciation	(15)	(86)	(29)	(128)	(258)
Effect of foreign exchange differences	931	1	3	3	938
<b>Closing net book value 30 June 2019</b>	<b>30,007</b>	<b>31</b>	<b>99</b>	<b>108</b>	<b>30,245</b>
Additions	-	2	48	-	50
Depreciation	(14)	(10)	(28)	(61)	(113)
Effect of foreign exchange differences	(5,180)	(4)	(13)	(12)	(5,209)
<b>Closing net book value 30 June 2020</b>	<b>24,813</b>	<b>19</b>	<b>106</b>	<b>35</b>	<b>24,973</b>
Assets at cost	24,889	450	299	875	26,513
Accumulated depreciation	(76)	(431)	(193)	(840)	(1,540)
<b>Closing net book value 30 June 2020</b>	<b>24,813</b>	<b>19</b>	<b>106</b>	<b>35</b>	<b>24,973</b>

**11 Non-current assets - mining tenements and mining development**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Mining tenements and mining development	<b>179,255</b>	174,602
<b><i>The Boikarabelo Coal Mine</i></b>		
Opening net book value	174,602	159,089
Additions/movements	22,577	11,326
Effect of foreign exchange differences	(17,924)	4,187
Closing net book value	<b>179,255</b>	174,602

The Boikarabelo Coal Mine is the name given to the project for the development of the coal tenements in South Africa. It incorporates the assets acquired and development expenditure for Resgen Africa Holdings Limited and Resgen South Africa (Pty) Limited, including tenements held by Ledjadja Coal (Pty) Limited and Waterberg One Coal (Pty) Limited. The realisation of the assets of the Boikarabelo Coal Mine is dependent upon the successful development of the Coal Reserves.

Interest of \$8.5m (2019: \$5.3m) has been capitalised and included in mining development costs. The percentage of borrowing costs eligible for capitalisation was 88% (2019: 93%).

The Group's impairment accounting policy is outlined in note 1(h). At 30 June 2020, the recoverable amount of the Boikarabelo Coal Mine cash generating unit (CGU) has been estimated using a fair value less cost to sell model. The model incorporates a number of critical judgments and estimates, including with respect to the coal prices, project capital and operating expenditure, coal production and reserves, the USD-ZAR exchange rate and a risk adjusted discount rate. As the mine is projected to have a long operating life and further substantive construction of the mine will only commence following financial close for project funding, there is inherently a high degree of uncertainty associated with estimating the recoverable amount of the CGU.

Whilst management has estimated the recoverable amount to exceed the CGU carrying value, the model is sensitive to a number of assumptions, in particular the export coal price, the USD:ZAR exchange rate and the discount rate. The recoverable amount has been calculated using a post-tax nominal discount rate of 14.45% (2019: 14.52%), a nominal export coal price of US\$76.08/t from 2023 (2019: US\$82.81/t from 2022) being the forecast timing of first coal production, and a USD:ZAR exchange rate based on the Bloomberg forward curve that has a rate of R17.39 as at July 2020 (2019: R13.89). The ZAR is forecast to weaken considerably relative to the USD thereafter.

In order to reduce the recoverable amount of the CGU to its carrying amount, the following changes in each key assumption would be required, assuming the other assumptions remained as outlined above: an increase in the discount rate to 19.52%; a reduction in the 2022 export coal price to US\$66.30/t; or a weakening of the USD:ZAR exchange rate to 11.66 as at July 2019. Smaller movements than noted above would be required to reduce the recoverable amount to the carrying amount if two or more assumptions changed unfavourably together.

**12 Non-current assets - deposits**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Mining related licence deposits	1,038	1,277
	<b>1,038</b>	1,277

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**13 Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	2,193	1,220
Other payables - accrued expenditure	3,908	3,006
	<b>6,101</b>	<b>4,226</b>

**14 Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits - annual leave provision	254	207
	<b>254</b>	<b>207</b>

**15 Non-current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening rehabilitation provision	2,418	2,150
Foreign exchange effect	(418)	63
Increase in rehabilitation provision	126	205
	<b>2,126</b>	<b>2,418</b>

**16 Non-current liabilities - royalties payable**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Royalties payable	1,401	1,625
	<b>1,401</b>	<b>1,625</b>

Royalties are payable upon the commencement of coal production and were recognised on acquisition of Resgen Africa Holdings Limited. The royalty is calculated on the basis of R2.00 per tonne of coal extracted and sold from the Boikarabelo Coal Mine to a maximum of 15.0 million tonnes. The royalty payable is discounted to present value in line with anticipated production, using a discount rate of 14.99% (2019: 14.99%).

**17 Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
EHL loan	-	532
Noble loan	26,748	20,432
	<b>26,748</b>	<b>20,964</b>

**EHL loan**

EHL Energy (Pty) Limited constructed the electricity sub-station at the Boikarabelo Coal Mine which connects the mine to the grid. The construction was subject to a deferred payment plan, with interest payable at the ABSA Bank prime lending rate plus 3%. The loan amounted to ZAR82.5 million, was unsecured and was fully paid as at 30 June 2020 (2019: 1 instalment).

**17 Current liabilities - borrowings (continued)**

**Noble loan**

US\$20 million was drawn down as an unsecured loan from Noble Resources International Pte Ltd (Noble) in March 2014. The Company has signed a number of extensions of the Facility Agreement, whereby Noble agreed to make available further funds to the Company's subsidiary Ledjadja Coal (Pty) Ltd, to fund the operations and development of the mine whilst project funding is secured. The total Facility made available to the company as at 30 June 2020 is US\$49.150 million. US\$47.150 million has been drawn down as at 30 June 2020. The Company executed the Eighth Deed of Amendment and Restatement of the facility agreement and the key terms of the amendment have been documented with Noble and have been executed by the parties. The Facility is secured by a Share Pledge over Resgen's interest in 74% of the shares in Ledjadja Coal (Pty) Ltd, which are held by another Resgen subsidiary, Resgen Africa Holdings Limited. Approval for granting this security to a substantial shareholder was obtained from Shareholders at the AGM held on 30 November 2018. The additional funds made available can be drawn in monthly tranches over the period to 31 July 2020. It is repayable in quarterly instalments of capital and interest over 78 months commencing on 28 February 2021 and has an annual interest rate of 10.75%. The Eighth Deed of Amendment Working Capital Facility advanced to the Group carries an interest rate of 16.00% per annum.

**18 Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Noble loan	78,156	66,251
	<b>78,156</b>	<b>66,251</b>

**19 Contributed equity**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>Shares</b>	<b>Shares</b>
	<b>'000</b>	<b>'000</b>
<b>a) Share capital</b>		
Ordinary shares issued	581,380	581,380
	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Contributed equity	223,622	223,622
<b>Total equity</b>	<b>223,622</b>	<b>223,622</b>

**b) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present in person or by proxy is entitled to one vote and, upon a poll, each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**19 Contributed equity (continued)**

**c) Treasury shares - JSE clearing shares**

In order to facilitate the secondary listing on the Johannesburg Stock Exchange (*JSE*), the Company was required to issue shares as a guarantee to ensure no trades failed. A subsidiary trustee company was established, Resgen Scrip Lending Pty Limited, and the 5 million shares were issued on 25 June 2010 at \$0.50 each. The listing on the JSE was completed on 14 July 2010. As there is now a sufficient spread of shares on the South African register, the JSE clearing shares are no longer required. Since FY17, some of the shares have been issued to KMP in respect of share-based compensation.

<b>Date</b>	<b>Details</b>	<b>Number of shares '000</b>	<b>Amount \$'000</b>
01-07-2015	Opening balance	4,205	2,317
10-01-2017	Share-based compensation	(674)	(73)
30-06-2017	Share-based compensation	(1,616)	(78)
30-06-2018	Share-based compensation	-	(42)
30-06-2018	Share-based compensation	(1,779)	(45)
30-06-2019	Share-based compensation	-	-
<b>30-06-2020</b>	<b>Closing balance</b>	<b>136</b>	<b>2,079</b>

**d) Current movements**

There were no share capital movements during the current financial year.

**Employee share scheme issues**

Employee share scheme information, including details of shares issued under the scheme, is set out in note 19 (g).

**e) Movement in options**

There are no options on issue as at 30 June 2020. All previously issued options expired by 30 June 2014.

**f) Share-based payment reserve**

	<b>Number of options/rights 2020 '000</b>	<b>Value of options/rights 2020 \$'000</b>	<b>Number of options/rights 2019 '000</b>	<b>Value of options/rights 2019 \$'000</b>
<b>Options</b>				
Options granted previously and expired	-	-	-	-
Transfer of option premium reserve to earnings	-	-	-	-
Closing balance	-	-	-	-
<b>Performance share rights</b>				
Opening balance	3,200	523	5,700	1,026
Employee share plan expense/(credit) - apportionment of share rights over entitlement period	-	-	-	-
Performance rights forfeited*	(200)	(36)	(2,500)	(503)
Closing balance	3,000	487	3,200	523
<b>Total options and performance share rights</b>	<b>3,000</b>	<b>487</b>	<b>3,200</b>	<b>523</b>

\* Performance share rights forfeited in respect of termination of employment. Performance hurdles in respect of these share rights related to milestones during construction and initial coal production.

**Resource Generation Limited**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**19 Contributed equity (continued)**

**g) Movement in performance share rights**

Date	Details	Number of rights '000	Issue price \$	Amount \$'000
30-06-2016	Opening balance	6,250	-	706
30-06-2017	Share-based compensation expense	-	-	257
30-06-2017	Performance rights forfeited	(500)	-	(53)
30-06-2018	Share-based compensation expense	-	-	125
30-06-2018	Performance rights forfeited	(50)	-	(9)
30-06-2019	Performance rights forfeited	(2,500)	-	(503)
30-06-2020	Performance rights forfeited	(200)	-	(36)
<b>30-06-2020</b>	<b>Balance</b>	<b>3,000</b>	<b>-</b>	<b>487</b>

As at 30 June 2020 there are 2 holders of the total performance share rights of 3.0 million. There are no voting rights attached to performance share rights.

Performance share rights are granted under the Long-Term Incentive Plan for no consideration. Performance share rights vest over periods ranging from one to five years with non-market based performance hurdles determined by the executive's role and responsibilities. The performance hurdles are linked to key development milestones. During FY18, the Board approved an extension of the vesting period and a change in the performance hurdles for the performance share rights expiring during the financial year to recognise challenges with the delay in securing project funding. The modification involved rationalisation to one performance hurdle being the date on which the Company issues a Notice to Proceed to Sedgman in relation to the CPP EPC agreement. This date will only occur after Financial Close has been achieved. The performance rights were issued by the previous Board of Directors prior to the decision to freeze LTIP pending funding of the project.

**20 Reserves and accumulated losses**

<b>Consolidated</b>	
<b>2020</b>	<b>2019</b>
<b>\$'000</b>	<b>\$'000</b>

**a) Reserves**

Other contributed equity	1,085	1,085
Share-based payment reserve	487	523
Treasury shares - refer note 19 (c)	(2,079)	(2,079)
Foreign currency translation reserve	(34,852)	(37,049)
	<b>(35,359)</b>	<b>(37,520)</b>

The other contributed equity comprises of a share premium for Fairy Wing Trading (BEE partner) on the Lukale buyout of Waterberg One Coal (Pty) Ltd, which is one of the subsidiaries of Resource Generation. Share-based payment reserve is the employee performance share scheme. Treasury shares are sign-on incentives shares for KMP upon joining the company and the foreign currency translation reserve is the translation of all non-AUD transactions.

<b>Consolidated</b>	
<b>2020</b>	<b>2019</b>
<b>\$'000</b>	<b>\$'000</b>
<b>Movement in reserves</b>	
<b>Share-based payment reserve</b>	
Opening balance	523
Employee share plan (credit)/expense	(36)
<b>Balance at the end of the year</b>	<b>487</b>

**Resource Generation Limited**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**20 Reserves and accumulated losses (continued)**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
<b>Treasury shares</b>		
Opening balance	2,079	2,079
<b>Balance at the end of the year</b>	<b>2,079</b>	<b>2,079</b>
<b>Foreign currency translation reserve</b>		
Opening balance	(37,049)	(38,635)
Movement for the period <sup>1</sup>	2,197	1,586
<b>Balance at the end of the year</b>	<b>(34,852)</b>	<b>(37,049)</b>

1. Foreign currency translation reserve movements arise from an approximate 17% depreciation of the Rand against the Australian Dollar during the year ended 30 June 20 (2019: 3% appreciation).

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>b) Accumulated losses</b>		
Opening balance	(73,964)	(67,921)
Loss for the year	(21,587)	(6,043)
<b>Balance at the end of the year</b>	<b>(95,551)</b>	<b>(73,964)</b>

**21 Auditors to the Group - BDO\* and related network firms**

Audit and review of financial statements

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>a) Total audit and review of financial statements</b>	<b>123,894</b>	<b>85,657</b>

It is the Company's policy to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. BDO Audit Pty Ltd has been awarded these assignments on a competitive basis. In addition to BDO performing assurance work, they have also been awarded the tender to complete the Company's Independent Expert Report for the Mine Funding Package. Deloitte (South Africa) and PwC (Australia) remain the tax consultants for the Group. It is the Company's policy to seek competitive tenders for all major material consulting projects.

## 22 Related party transactions

### a) Key management personnel

Disclosures relating to key management personnel are set out in detail in the remuneration disclosures to the Directors' report.

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	1,776,606	2,061,430
Long-term benefits (superannuation)	13,014	13,014
	1,789,620	2,074,444
Share-based compensation expense	-	(360,000)
Notes to the consolidated financial statements	<b>1,789,620</b>	<b>1,714,444</b>

### b) Parent entities

The parent entity within the Group is Resource Generation Limited, and this is the ultimate parent company.

### c) Subsidiaries

Interests in subsidiaries are set out in note 23.

### d) Related parties

The Group has borrowings of US\$47.150 million plus accrued interest of US\$24,982 million from Noble Resources International Pte Limited (Noble). Noble has a 13.69% shareholding in the Company as at 30 June 2020 (2019: 13.69%).

Noble was appointed as exclusive supply chain management and marketing adviser for both export and domestic coal for a period of thirty five (35) years under which it is entitled to marketing fees. In addition, Noble has offtake agreements in respect of both export and domestic thermal coal product for a period of thirty five (35) and eight (8) years respectively. During FY 18 (ASX Announcement 11 December 2017) the Company executed an agreement with Noble for the supply of additional uncontracted coal to be produced from the mine. The grant to Noble of the first right of refusal to purchase any additional coal to be produced from the mine arose during negotiations of the extension of the Facility Agreement. The Group has agreed to sell to Noble 1.1 Mt of coal per annual for year 1 to 3 and 0.2 Mt from year 4 to 35. The terms of the Uncontracted Tonnage Offtake Agreement are the same as those in the Export Offtake Agreement with the price to be set by reference to an internationally recognised index at the time of each shipment.

The Group entered into an agreement in 2014 with Altius Investment Holdings (Pty) Limited (Altius) whereby a commission is payable for successfully completing a project debt facility for the main construction activities of the Boikarabelo Coal Mine Project. Altius is a related party of one of the Non-executive Directors and one of the Executive KMP. Neither of these persons was an officer of the Company when the agreement was entered into.

The Group has entered into an agreement with one of the Non-Executive Directors whereby the Director will arrange for negotiations in respect to an economic rail freight tariff reduction. Any such reduction in the tariff will be subject to an annual success fee payable following the signing of a contract with TFR reflecting the reduced tariff. The agreement was entered into prior to the Director being appointed.

## 23 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 b).

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2020	2019
			%	%
Resgen Mauritius Limited	Mauritius	Ordinary	100	100
Resgen South Africa (Pty) Ltd - owned 100% by Resgen Mauritius Limited	South Africa	Ordinary	100	100
Waterberg One Coal (Pty) Limited - owned 74% by Resgen South Africa (Pty) Limited	South Africa	Ordinary	74	74
Resgen SA Farms (Pty) Limited - owned 100% by Resgen South Africa (Pty) Limited	South Africa	Ordinary	100	100
Resgen Africa Holdings Limited	Mauritius	Ordinary	100	100
Ledjadja Coal (Pty) Limited - owned 74% by Resgen Africa Holdings (Pty) Limited	South Africa	Ordinary	74	74
Resgen Share Plan Pty Limited	Australia	Ordinary	100	100
Resgen Scrip Lending Pty Limited	Australia	Ordinary	100	100
Bula Waterberg Rail Pty Ltd	South Africa	Ordinary	100	-



## 23 Subsidiaries (continued)

The parent company is Resource Generation Limited. The subsidiaries are controlled by Resource Generation Limited and the subsidiaries are fully consolidated from the date on which control passed to the Group.

The minority interest in Ledjadja Coal (Pty) Limited and Waterberg One Coal (Pty) Limited is held by Fairy Wing Trading 136 (Pty) Limited (Fairy Wing), the Group's Black Economic Empowerment (BEE) partner. Pursuant to the terms of a loan from the Group to facilitate the acquisition of the shares, Fairy Wing only nominally holds the minority interest and is not currently entitled to a share in the residual interest of the subsidiaries. For this reason, a non-controlling interest is not presented in the consolidated financial statements.

## 24 Dividends

There were no dividends recommended or paid during the financial year.

## 25 Commitments

	Consolidated	
	2020 \$'000	2019 \$'000
<b>a) Lease commitments for premises</b>		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	-	31
Later than one year, but not later than 5 years	-	-
	-	31
Non-cancellable operating leases on premises	-	31
	-	31

## b) Capital commitments

The Group has no commitments in respect of the development of the Boikarabelo Coal Mine (2019: \$nil million) at 30 June 2020.

There is a potential property acquisition of \$9.659 million (2019:\$11.345million) contingent to events subsequent to the commencement of mine production.

## 26 Events occurring after the reporting period

The Company advised that a Deed of Amendment to the Common Terms Agreement for the Mine Funding Package extending the Long Stop Date for achieving Financial Close from 30 November 2020 to 31 July 2023 had been agreed in principle and was in the process of being executed. The extension was required to allow for preparation of final submissions to the Lenders' Credit Committees expected to be scheduled during November 2020. These submissions were to include support for the Company's requested waiver or deferral of certain Conditions Precedent to achieving Financial Close.

On 4 September 2020, the Company advised that Ledjadja Coal, the Borrower under the terms of the Mine Funding Package, had made significant progress with respect to satisfying the majority of the Conditions Precedent to Financial Close and had formally requested that the Lenders either:

- \* defer a limited number of Conditions Precedent to a date post Financial Close due to the practical inability of satisfying the said Conditions Precedent before the end of September 2020; or
- \* consider proposed viable alternative solutions with respect to those specific Conditions Precedent, which could be satisfied before Financial Close.

The Lenders' Project Teams have responded to the formal requests detailed above and advised that they will not be approaching their Credit Committees until the following key Conditions Precedent have been met:

- \* Execution of a binding Ramp-up Working Capital Facility Agreement;
- \* Execution of a binding and fully funded Mining Services Contract; and
- \* Execution of a domestic back to back Offtake Agreement with Noble Group to meet the Eskom BEE procurement conditions.

Due to delays in satisfying certain Conditions Precedent to reaching Financial Close for first drawdown under the Mining Package, the Company was advised that the IDC had made a decision to not grant an extension of the Common Terms Agreement and therefore cancel all previously approved facilities under the Mine Funding Package. A trading halt was communicated to the ASX in order for the Company to develop a plan to secure additional working capital from Noble. Subsequently, Noble appointed a financial advisor (Macquarie) in order to assist with the development strategy and the Company announced on 14 December 2020 that it had executed the legal documentation to reflect the in-principle financial support with Noble in the form of a Ninth Deed of Amendment and Restatement to the Facility Agreement dated 3 March 2014 as amended from time to time. The additional financial support of US\$920,000 is to be made available in three (3) instalments to cover an austerity operational budget for the period through to 28 February 2021.

There are no other events that have occurred subsequent to the end of the financial year that have significantly affected or may significantly affect:

- (i) the Group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group's state of affairs in future financial years.

**27 (i) Reconciliation of loss after income tax to net cash outflow from operating activities**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss for the year	(21,587)	(6,043)
Depreciation	113	258
Share-based compensation (credit)/expense	(36)	(503)
Unrealised foreign exchange loss	14,149	1,132
Interest expense on loans	2,831	560
Accrual for:		
BurnVair fees	-	1,081
Changes in operating assets and liabilities:		
increase/(decrease) in trade and other payables	1,875	(2,178)
(decrease) in provisions	(245)	(89)
increase/(decrease) in trade and other receivables	160	(51)
Net cash outflow from operating activities	<b>(2,740)</b>	<b>(5,833)</b>

**27 (ii) Net debt reconciliation**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	323	1,474
Financial liabilities - repayable within one year	(26,748)	(20,964)
Financial liabilities - repayable after one year	(78,156)	(66,251)
<b>Net debt at 30 June 2020</b>	<b>(104,581)</b>	<b>(85,741)</b>

**27(iii) Reconciliation of liabilities arising from cash flows from financing activities**

	2019	Cash flows			Non-cash movements		2020
	Opening balance	Proceeds	Repayments	Interest paid	Foreign exchange movement	Interest expense	Closing balance
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Borrowings	87,215	6,452	(520)	-	8,926	2,831	104,904

**28 Earnings per share**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cents</b>	<b>Cents</b>
<b>a) Basic earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(3.7)	(1.0)
Total basic earnings per share attributable to the ordinary equity holders of the Company	<b>(3.7)</b>	<b>(1.0)</b>
<b>b) Diluted earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(3.7)	(1.0)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<b>(3.7)</b>	<b>(1.0)</b>
<b>c) Headline earnings per share</b>		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(3.7)	(1.0)
Total headline earnings per share attributable to the ordinary equity holders of the Company	<b>(3.7)</b>	<b>(1.0)</b>
<b>d) Reconciliation of earnings used in calculating earnings per share</b>		
	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	<b>(21,587)</b>	<b>(6,043)</b>
Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	<b>(21,587)</b>	<b>(6,043)</b>
Headline loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	<b>(21,587)</b>	<b>(6,043)</b>

**28 Earnings per share (continued)**

**e) Weighted average number of shares used as the denominator**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>Number of shares</b>	
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	<b>581,243,508</b>	581,243,508
Weighted average number of ordinary shares used as the denominator in calculating headline earnings per share	<b>581,243,508</b>	581,243,508

**f) Information concerning the classification of securities**

**Performance share rights**

Performance share rights are considered to be potential ordinary shares. These potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares decreases earnings per share or increases loss per share from continuing operations. As their inclusion decreases the loss per share, they have therefore not been included in the determination of diluted earnings per share. The performance share rights have not been included in the determination of basic earnings per share.

**29 Contingent liabilities**

Legislation stipulates that all mining operations within South Africa are required to make a provision for environmental rehabilitation during the life of the mine and at closure. In line with this requirement, the Company entered into policies with a reputable insurance broker to set aside funds for the aforementioned purposes. On the back of these policies, the insurance broker provides the required mining rehabilitation guarantees, which are accepted by the Department of Minerals and Resources. The Company makes annual premium payments towards structured products that will allow the matching of the environmental rehabilitation liability against assets over a period of time.

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Guarantee for rehabilitation	2,000	2,418
Less: Funds available on GuardRisk policy	(1,325)	(1,371)
<b>Contingent liabilities 30 June</b>	<b>675</b>	<b>1,047</b>

**30 Parent entity financial information**

**a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	<b>Parent</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Balance sheet</b>		
<b>Current assets</b>		
Cash and cash equivalents	8	122
Trade and other receivables	21	13
Deposits and prepayments	-	-
	<u>29</u>	<u>135</u>
<b>Non-current assets</b>		
Investments	71,752	71,752
Related party loans	142,256	119,329
	<u>214,008</u>	<u>191,081</u>
<b>Total assets</b>	<u>214,037</u>	<u>191,216</u>
<b>Current liabilities</b>		
Trade and other payables	303	158
	<u>303</u>	<u>158</u>
<b>Total liabilities</b>	<u>303</u>	<u>158</u>
<b>Net assets</b>	<u>213,734</u>	<u>191,058</u>
<b>Shareholders' equity</b>		
Contributed equity	223,622	223,622
Reserves		
Share-based payment reserve	487	523
Treasury shares	(2,079)	(2,079)
Other contributed equity	1,085	1,085
Accumulated losses	(31,406)	(32,093)
<b>Total equity</b>	<u>191,709</u>	<u>191,058</u>
<b>Profit/(loss) for the year</b>	<u>687</u>	<u>67</u>
<b>Total comprehensive profit/(loss)</b>	<u>687</u>	<u>67</u>

**b) Guarantees entered into by the parent entity**

Post the commencement of operations there are performance obligations under the coal export offtake contracts. The repayments under the Noble loan has been guaranteed by the parent entity.

Letters of support have been provided to all subsidiaries to confirm that the parent entity will continue to provide financial support to enable them to continue in operation for 12 months from 30 October 2020. In addition, the parent entity has subordinated certain loan receivables owing by the subsidiary companies.

**c) Contingent liabilities of the parent entity**

As at 30 June 2020, the parent entity had no contingent liabilities.

**d) Contractual commitments for the acquisition of property, plant or equipment**

As at 30 June 2020, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

## Resource Generation Limited

### Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 20 to 67 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with accounting standards and the *Corporations Regulations 2001*; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of the performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) note 1 a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- (d) the Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors, made pursuant to section 295(5) of the *Corporations Act 2001*.



L Xate  
Chairman  
Johannesburg  
18 December 2020

## INDEPENDENT AUDITOR'S REPORT

To the members of Resource Generation Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Resource Generation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Resource Generation Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### Capitalisation of Mining Tenements and Mining Development Expenditure

Key audit matter	How the matter was addressed in our audit
<p>Refer to Note 11 in the financial report.</p> <p>The Group capitalised significant mining tenements and mining development assets in relation to the Boikarabelo Coal Mine.</p> <p>This is a key audit matter as management is required to exercise judgement in determining whether development expenditure incurred meets the criteria for capitalisation including:</p> <ul style="list-style-type: none"> <li>Assessing whether costs are directly attributable to bringing the mine to the location and condition necessary for operating as intended; and</li> <li>Assessing whether it is probable that the expenditure will result in future economic benefits.</li> </ul>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>Reviewing the design and implementation of key controls management has in place to determine whether costs meet the criteria for capitalisation</li> <li>Enquiring management and obtaining a status update of the mine development including key activities undertaken during the year</li> <li>Reviewing whether borrowing costs, which includes interest and foreign exchange differences on foreign currency borrowings, as well as internal payroll costs associated with development of mine meet the criteria for capitalisation</li> <li>Selecting a sample of capitalised mining development expenditure and agreeing to supporting documentation, as well as ensuring they qualify for recognition as assets under AASB 116 <i>Property, Plant and Equipment</i></li> <li>Ensuring that the Group's mining rights are maintained in good standing</li> <li>Reviewing the adequacy of disclosures in the financial statements</li> </ul>

## Impairment assessment for Property, Plant and Equipment ('PP&E') and Mining Tenements and Mining Development Assets

Key audit matter	How the matter was addressed in our audit
<p>Refer to Note 11 in the financial report.</p> <p>As a result of the funding uncertainty the Group assessed its PP&amp;E and mining tenements and mining development expenditure in respect of the Boikarabelo Coal Mine for impairment indicators.</p> <p>Under Australian Accounting Standards, if impairment indicators are detected the Group is required to perform an impairment assessment.</p> <p>Movement in foreign exchange rates and interest rates were determined to be impairment indicators for the Boikarabelo Coal Mine and the Group undertook an impairment assessment using a present value of future cash flow model.</p> <p>This was a key audit matter due to the significant carrying value of the Group's PP&amp;E and mining tenements and mining development assets which are subject to the judgements and assumptions in determining whether there are any impairment charges.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• Evaluating the Group's assessment of whether there were any indicators of impairment at 30 June 2020</li> <li>• Obtaining an understanding of the impairment model and ensuring key assumptions are consistently applied throughout the year;</li> <li>• Comparing coal price assumptions against third-party forecasts, peer information and relevant market data to determine whether the Group's forecasts were within the range</li> <li>• Assessing the Group's discount rate calculations, including having regard to the inputs utilised in the Group's weighted average cost of capital such as peer company betas, risk-free rate and gearing ratios, assisted by our internal valuation experts</li> <li>• Reviewing the Group's reserve estimation against reports provided by external experts and assessing their scope of work and findings</li> <li>• Reviewing other key assumptions and estimates contained within the impairment assessment model to external data and other sources</li> <li>• Reviewing existing off-take agreements with the Group's external customers to understand the level of contracted coal sales</li> <li>• Performing sensitivity analysis on key assumptions used by the Group to assess the impact on forecasted cash flows</li> <li>• Assessing the adequacy of disclosures in the financial statements</li> </ul>

### Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.



Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [https://www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf)

This description forms part of our auditor's report.



## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 34 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Resource Generation Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**

A handwritten signature in black ink, appearing to read 'R M Swaby', is written over a faint, larger 'BDO' logo.

**R M Swaby**

Director

Brisbane, 18 December 2020

## Resource Generation Limited

### Supplementary Information - Translation of financial information to the South African Rand

The presentation currency used in the preparation of the financial statements is the Australian Dollar (A\$). The Group has translated the financial statements to the South African Rand (ZAR) because the Boikarabelo Coal Mine, which represents the Group's most significant activity, is located in this region. This supplementary information has restated the financial statements to the Rand. Assets and liabilities were translated to Rand using the relevant closing rate of exchange and income and expense items were translated using the relevant cumulative average rate of exchange. The applicable rates used in the restatement of information are as follows:

	2020	2019
Cumulative average rate of exchange (A\$/Rand)	10.4841	10.1338
Closing rate of exchange (A\$/Rand)	11.9126	9.8545

### Statements of comprehensive income - ZAR convenience translation (Supplementary Information) For the year ended 30 June 2020

	Consolidated	
	2020	2019
	R'000	R'000
Interest revenue	1,006	1,417
Other	1,824	814
	<u>2,830</u>	<u>2,231</u>
Administration, rent and corporate	(36,076)	(29,531)
Depreciation of property, plant and equipment	(1,185)	(2,615)
Employee benefits expense	(14,195)	(18,930)
Finance expenses	(29,729)	(6,020)
Share-based compensation credit/expense	377	5,097
Unrealised foreign exchange movements	(148,337)	(11,472)
<b>Loss before income tax</b>	<u>(226,315)</u>	<u>(61,240)</u>
Income tax benefit/(expense)	-	-
Loss from continuing operations	(226,315)	(61,240)
<b>Loss for the year</b>	<u><b>(226,315)</b></u>	<u><b>(61,240)</b></u>
Other comprehensive (income)	23,034	16,072
Total comprehensive (loss)	<u>(203,281)</u>	<u>(45,168)</u>
<b>Loss is attributable to:</b>		
<b>Owners of Resource Generation Limited</b>	<u><b>(226,315)</b></u>	<u><b>(61,240)</b></u>
Total comprehensive (loss)/income for the year is attributable to:		
Owners of Resource Generation Limited	<u>(203,281)</u>	<u>(45,168)</u>
Loss per share for loss from continuing operations	<b>Cents</b>	Cents
Basic loss per share	<b>(38.9)</b>	(10.5)
Diluted loss per share	<b>(38.9)</b>	(10.5)

**Balance Sheets - ZAR convenience translation (Supplementary Information)**  
**As at 30 June 2020**

	<b>Consolidated</b>	
	<b>2020</b>	2019
	R'000	R'000
<b>Current assets</b>		
Cash and cash equivalents	3,848	14,523
Trade and other receivables	1,918	552
Deposits and prepayments	1,775	1,725
	<u>7,541</u>	<u>16,800</u>
<b>Non-current assets</b>		
Property, plant and equipment	297,496	298,049
Mining tenements and mining development	2,135,393	1,704,530
Deposits and loan receivables	12,365	12,584
Restricted Cash	19,048	16,083
	<u>2,464,302</u>	<u>2,031,246</u>
<b>TOTAL ASSETS</b>	<b><u>2,471,843</u></b>	<b><u>2,048,046</u></b>
<b>Current liabilities</b>		
Trade and other payables	72,679	41,645
Provisions	3,026	2,040
Borrowings	318,638	206,589
	<u>394,343</u>	<u>250,274</u>
<b>Non-current liabilities</b>		
Provisions	25,326	23,828
Borrowings	931,041	652,869
Royalties payable	16,690	16,014
	<u>973,057</u>	<u>692,711</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,367,400</u></b>	<b><u>942,985</u></b>
<b>NET ASSETS</b>	<b><u>1,104,443</u></b>	<b><u>1,105,061</u></b>
<b>Equity</b>		
Contributed equity	2,229,377	2,229,377
Reserves	13,325	(395,438)
Accumulated losses	(1,138,259)	(728,878)
	<u>1,104,443</u>	<u>1,105,061</u>
<b>TOTAL EQUITY</b>	<b><u>1,104,443</u></b>	<b><u>1,105,061</u></b>

**Cash Flow Statements - ZAR convenience translation (Supplementary Information)**  
**For the year ended 30 June 2020**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>R'000</b>	<b>R'000</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees (inclusive of government charges)	(29,681)	(60,185)
Interest received	1,006	1,419
Finance costs	(52)	(345)
<b>Net cash outflow from operating activities</b>	<b>(28,726)</b>	<b>(59,111)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(526)	(20)
Payments for mining tenements and mining development	(42,576)	(56,740)
<b>Net cash outflow from investing activities</b>	<b>(43,102)</b>	<b>(56,760)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(5,452)	(22,700)
Drawdown of borrowings	67,643	135,500
<b>Net cash inflow from financing activities</b>	<b>62,191</b>	<b>112,800</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(9,638)</b>	<b>(3,071)</b>
Cash and cash equivalents at the beginning of the year	14,522	17,538
Effects of exchange rate movements on cash and cash equivalents	(1,037)	55
<b>Cash and cash equivalents at the end of the year</b>	<b>3,848</b>	<b>14,522</b>

Foreign currency translation reserve movements arise from an approximate 17% depreciation of the Rand against the Australian Dollar during the year ended 30 June 2020 (2019: 3% appreciation).

## SHAREHOLDER INFORMATION

As at 27 November 2020

### 1. Substantial Shareholders

The names of the substantial shareholders and the number of shares to which they are entitled are:

Name	Number of Shares	Percentage
Government Employees Pension Fund (PIC)	82,318,430	14.16%
Noble Resources International Pte Ltd	79,609,933	13.69%
Shinto Torii Inc	62,124,089	10.69%
Integrated Coal Mining Ltd & Associates	30,463,175	5.24%

### 2. Ordinary shares on Issue

(a) The total number of ordinary shares on issue - 581,380,338

486,071,544 ordinary shares are quoted on the Australian Securities Exchange (ASX) under the code RSE and 95,308,794 are quoted on the Johannesburg Stock Exchange (JSE) under the code RSG.

(b) Distribution of ordinary shares:

Range of holding	Total holders	Number of shares	% Issues Capital
1 - 1,000	602	245,146	0.04%
1,001 - 5,000	595	1,688,137	0.29%
5,001 - 10,000	326	2,655,018	0.46%
10,001 - 100,000	742	29,844,794	5.13%
100,001 and over	370	546,947,243	94.08%
Total	2635	581,380,338	100.00%

c) The number of ordinary shareholders holding less than a marketable parcel (7,812 shares) is 1,367 representing 3,070,789 ordinary shares (0.53%)

d) The 20 largest ordinary shareholders together held 396,077,547 shares representing 68.13% of the total issued ordinary shares

### 3. Voting Rights

At a general meeting of the Company on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every Share held by them.

No voting rights attached to options or performance rights.

## SHAREHOLDERS INFORMATION (continued)

### 4. Twenty Largest ordinary shareholders

Name	No. of Shares	%age
1 Government Employees Pension Fund (PIC)	82,318,430	14.16%
2 Noble Resources International Pte Ltd	79,609,933	13.69%
3 Shinto Torii Inc	62,124,089	10.69%
4 Everitt Holdings Limited	21,727,273	3.74%
5 Yapp Pty Ltd	19,217,121	3.31%
6 Bnp Paribas Nominees Pty Ltd	18,944,187	3.26%
7 Integrated Coal Mining Limited	18,268,053	3.14%
8 Birch Pct Pty Ltd/Birch Family Super Fund Pty Ltd	16,987,778	2.92%
9 Bantal Singapore Pte Ltd	12,195,122	2.10%
10 Jenfre Nominees Pty Ltd	11,605,500	2.00%
11 Mr Ronald Charles Tyack	11,503,267	1.98%
12 Citicorp Nominees Pty Ltd	7,491,970	1.29%
13 Lukale Mining Company (Pty) Ltd	6,784,334	1.17%
14 Rogers Family Super Fund Pty Ltd	5,662,943	0.97%
15 J P Morgan Nominees Australia Pty Limited	4,084,859	0.70%
16 Mr Izak Zirk Van Der Bank	4,067,717	0.70%
17 RP & AJ Hall Management Pty Ltd	4,000,000	0.69%
18 Metallica Investments Pty Ltd	3,188,266	0.55%
19 Mr Stephen James Matthews	3,166,667	0.54%
20 TTM Gabriel Pty Ltd	3,130,038	0.54%
Total Top 20 holdings	396,077,547	68.14%
Total of ordinary shares on issue	581,380,338	100.00%

### 5. Details of unlisted options

There are no unlisted options however there are 3,000,000 performance share rights granted to 2 current employees.

### 6. Share Registry Details

Boardroom (Pty) Limited

Grosvenor Place, Level 12, 225 George Street, Sydney NSW 2000, Australia

Telephone: (02) 9290 9600

Free Call: 1300 737 760

Website:

[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

## Coal Resources and Coal Reserves Statement

### 1. Coal Mining Tenements

The Mining Rights tenement holdings and % interest listed below have remained unchanged during the past 12 months.

Type	Right Number	Holder	Interest	Area (km <sup>2</sup> )
<b>a) Mining Rights (Boikarabelo Coal Mine)</b>				
Witkopje (Ledjadja #1)	169MR	Ledjadja Coal (Pty) Limited	74%	17
Draai Om (Ledjadja #2)	169MR	Ledjadja Coal (Pty) Limited	74%	11
Kalkpan (Ledjadja #3)	169MR	Ledjadja Coal (Pty) Limited	74%	13
Osorno (Ledjadja #4)	169MR	Ledjadja Coal (Pty) Limited	74%	11
Zeekoevley (Ledjadja #5)	169MR	Ledjadja Coal (Pty) Limited	74%	13
Notes to the consolidated financial statements	169MR	Ledjadja Coal (Pty) Limited	74%	12
Kruishout (Ledjadja #7)	169MR	Ledjadja Coal (Pty) Limited	74%	12

The Prospecting Rights tenement holdings and % interest for Waterberg One Coal (Pty) Ltd have not changed during the past 12 months.

Type	Right Number	Holder	Interest	Area
<b>b) Prospecting Rights (Waterberg One Coal Project)</b>				
Koert Louw Zyn Pan (Waterberg #1)	PR678/2007	Waterberg One Coal (Pty) Limited	74%	14

The Mining Right Application for Waterberg #1, adjacent to the Boikarabelo Coal Mine, was lodged at the end of 2015 and the Company is awaiting the outcome of this process. Waterberg #1 encompasses the farm Koert Louw Zyn Pan (PR678/2007).

All of the rights listed above are located in the Waterberg region of South Africa.

### 2. Coal Resources Statement as at 30 June 2020

	Inferred Resource	Indicated Resource	Measured Resource	2020 Total Resource	2019 Total Resource
	(Mt)	(Mt)	(Mt)	(Mt)	(Mt)
Ledjadja #1 S & Ledjadja #3 <sup>(i)</sup>	-	84.0	910.8	994.8	994.8
Ledjadja #1 N & Ledjadja #2 <sup>(ii)</sup>	1,479.6	-	-	1,479.6	1,479.6
Waterberg #1 <sup>(i)</sup>	-	981.1	-	981.1	981.1
<b>Total</b>	<b>1,479.6</b>	<b>1,065.1</b>	<b>910.8</b>	<b>3,455.5</b>	<b>3,455.5</b>

(i) Determined by applying the JORC Code 2012.

(ii) This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Resource Statement for Ledjadja #1 N and Ledjadja #2 will be subject to review and update under the JORC Code 2012 once the additional boreholes have been completed and the geological model updated. It will be released to the market once the review and update has been completed and approved.

### Coal Resources

The Coal Resources estimate for the Boikarabelo Coal Mine Project, comprising of the areas referred to as Ledjadja #1 S, Ledjadja #1 N and Ledjadja #3, have not changed. The planned open-pit area is situated on Ledjadja #1 S and Ledjadja #3 only.



## Coal Resources and Coal Reserves

### 2. Coal Resources Statement as at 30 June 2020 (continued)

#### Coal Resource governance

The Mineral Resources for the Group have been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition and The JORC Code, 2004). The governance and internal controls that were applied at that time were set out in detail in the ASX Announcement of 27 January 2017 and continue to be applied.

#### Competent Persons' statements

Information in this report that relates to Exploration Results and Coal Resources for Ledjadja #1 S & Ledjadja #3 and Waterberg #1 is based on information compiled by Mr Riaan Joubert, who is the Principal Geologist contracted by Ledjadja Coal and is a member of a Recognised Overseas Professional Organisation. Mr Joubert has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Joubert has given and has not withdrawn consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Information in this report that relates to Exploration Results of Coal Resources for Ledjadja #1 N & Ledjadja #2 is based on information compiled by Mr Dawie van Wyk, who is a Contract Geologist employed by Ledjadja Coal and is a member of a Recognised Overseas Professional Organisation. Mr van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr van Wyk has given and has not withdrawn consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

### 3. Coal Reserves Statement as at 30 June 2020

	2020 Probable Reserve (Mt)	2019 Probable Reserve (Mt)
Ledjadja #1 S & Ledjadja #3 <sup>(i)</sup>	267.1	267.1
<b>Total</b>	<b>267.1</b>	<b>267.1</b>

(i) The Coal Reserves information for Ledjadja #1 S & Ledjadja #3 has been updated in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, (The JORC Code, 2012 Edition).

#### Coal Reserves

The Marketable Coal Reserves for Ledjadja #1 S & Ledjadja #3 have not changed during the financial year and remains 267.1 million tonnes and

- \* an export quality product with an average of 14% ash and an average 25.73 MJ/kg calorific value determined on an Air Dried (AD) basis; and
- \* a domestic power station product with an average 19.5 MJ/kg calorific value and an average 31.43 % ash determined on an AD basis.

The export quality product has an average yield of 23.68% and the domestic power station product has an average yield of 19.61 %. This equates to an overall average yield of 43.3%.

There have been no further studies done for Waterberg #1 and a new mine plan based on a dual product as for Ledjadja will be done in the future. This new mine plan for Waterberg #1, will be based on similar economic factors and a dual product as is used for Ledjadja #1 S & Ledjadja #3. This new mine plan will be developed once the Boikarabelo Coal Mine is operational and released to the market once the review and update has been completed and approved.

#### Competent Person's statement

Information in this report that relates to Coal Reserves for Ledjadja #1 S & Ledjadja #3 is based on information compiled by Mr Ben Bruwer, who is a consultant to the Company and is a member of a Recognised Overseas Professional Organisation. Mr Bruwer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bruwer has given and has not withdrawn consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

### 4. Annual Review

The Company confirms that on 30 June 2020 it has reviewed the JORC 2012 Mineral Resource and Reserve Estimate as presented in this report and is not aware of any new information or data that materially affects the ASX announcement of 27 January 2017 'Statement of Coal Resources and Coal Reserves for Resource Generation Limited' and in the case of estimates that all material assumptions and technical parameters underpinning the Mineral Resource and Reserve Estimate in that announcement continue to apply and have not materially changed as at 30 June 2020. The Company also confirms that the form and context in which the Competent Persons' findings are presented have not materially changed from the format upon which original consents were obtained.

# Resource Generation Limited

## Corporate directory

### Directors

Lulamile Xate (Chairman)  
Leapeetswe Molotsane  
Colin Gilligan  
Michael Gray  
Rob Croll  
Greg Hunter  
Dr Konji Sebati

### Company Secretary

Michael Meintjes

### Auditors

BDO Audit Pty Ltd  
Level 10, 12 Creek Street  
Brisbane QLD 4000  
Australia

### Bankers

St George Bank Limited  
The Standard Bank of South Africa Limited  
Barclays Bank Mauritius Limited

### Registered Office

Level 1  
17 Station Road  
Indooroopilly QLD 4068  
Australia  
Telephone: +27 11 010 6310  
Website: [www.resgen.com.au](http://www.resgen.com.au)

### Principal Place of Business

Ground Floor, Ironwood House  
Ballywoods Office Park  
33 Ballyclare Drive  
Bryanston  
Gauteng, 2191  
South Africa

### Stock Exchange Listing

Securities of Resource Generation Limited are listed on both the Australian Stock Exchange and the Johannesburg Stock Exchange.

ASX Code: RES

JSE Code: RSG

### Share Registry

Boardroom Pty Limited  
Level 7

207 Kent Street  
Sydney NSW 2000  
Australia

Investor Enquiries: +61 2 9290 9600

Facsimile: +61 2 9279 0664

Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### Transfer Secretaries

Computershare Investor Services (Pty) Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196

South Africa

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